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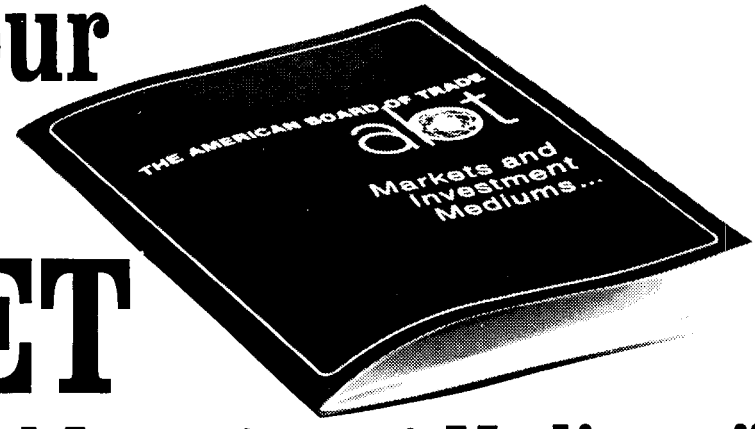

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reason

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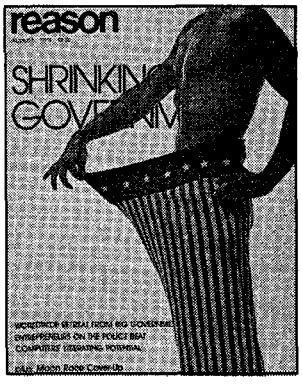
Choosing government 18

Private protection 26

Winner of the race 34



Cover photo by Kelley Dwyer

SHRINKING GOVERNMENT
Public-sector imperialism is dying, the fatal blows dealt by the spreading tax revolt and the information revolution. A report from an editor of the Economist.
By Norman Macrae **18**

LIBERTY ON THE HORIZON?
A survey turns up some surprising data about who would like a libertarian government.
By Janet Smarr **25**

SAN FRANCISCO'S HIRED GUNS
Cable cars, Fisherman's Wharf, Nob Hill... but what the tourist books don't tell you about this famous city is its 125-year-old private police force.
By Christine Dorffi **26**

INFORMATION LIBERATION
There's a computer in your future, and it means expanding opportunities for personal freedom.
By Michael E. Anzis **30**

THE MOON RACE COVER-UP
"One small step for man," one big step for NASA—true enough. But did NASA really fabricate the Soviet side of the moon race?
By James Oberg **34**

THE COST OF CONSCRIPTION
Neither the military draft nor "national service" makes economic sense.
By William P. Field, Jr., and Donald J. Boudreaux **38**

EDITORIAL/Insuring Aviation Safety **6**
VIEWPOINT/Quebec: The Economics of Separatism **41**
MONEY/Money and Freedom **42**
EDITOR'S NOTES **4**
LETTERS **8**
BRICKBATS **12**
TRENDS **14**
MOVIES **43**
BOOKS **44**
RUDEBARBS **48**
CLASSIFIEDS **50**

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editor's notes

• **PUBLICITY.** REASON articles and contributors continue to receive widespread publicity. James Dunn's article "Back to the Land: Environmental Suicide," from our March 1978 issue, has been condensed and distributed nationwide as an op-ed feature by Reddy Communications, a news service of the electric power industry. Sam Blumenfeld's historical detective work, "Why the Schools Went Public" (Mar. 1979), is being reprinted by Alpha Omega Publishing for use in summer seminars for private school personnel.

REASON contributor and Nobel laureate F. A. Hayek was the subject of a long and basically favorable article in the *New York Times* on May 7. Titled "New Vogue for Critic of Keynes," the article mentioned that Britain's new prime minister, Margaret Thatcher, is said to be a strong supporter of Hayek's views. The article reviewed Hayek's long career and included some forthright quotes critical of the welfare state. Editor Robert Poole, Jr.'s *Futurist* article, "Looking Back: How City Hall Withered," was the subject of Jeremy Campbell's column in the December 6 edition of the London *Evening Standard*. The article went on to cite additional examples of private-enterprise provision of public services.

• **NEW GROUP.** A promising new organization has just set up shop in Washington, D.C. Called the Council for a Competitive Economy, its purpose is to unite business leaders who favor *real* free enterprise—no subsidies, tariffs, loan guarantees, or any other special privileges or restrictions on competition. The idea is that business will not win respect for its calls for deregulation until it stops running to Washington for favors. The CCE gets its inspiration from a discussion by William Simon in his book, *A Time for Truth*, calling for "a group of genuinely principled businessmen" to organize and work for economic freedom.

Taking Simon's words to heart, Wichita industrialist Charles Koch has been working for the past year to line up initial support. Joining him on the CCE board are such figures as Simon, Bob Kephart, Herbert Cornuelle, Joseph Coberly, and several others. The advisory board includes a number of REASON people, including editor Poole, contributing editors Jim Davidson, Henry Manne, and Murray Rothbard, and contributors D. T. Armentano, Nathaniel Branden, M. Bruce Johnson, Hans Sennholz, and Leland Yeager, among others. Those wishing more information should write to the executive director, David Boaz, Council for a Competitive Economy, 410 First St., S.E., Washington, DC 20003.

• **ATLAS SHOT DOWN?** We have received the disturbing news that NBC's Fred Silverman has canceled the *Atlas Shrugged* TV-movie project. So reports producer Michael Jaffe from Hollywood. The alleged reason is NBC's opinion that the book does not provide enough dramatic material to sustain eight hours of TV. Asked his reaction to this charge, Jaffe's succinct response was, "Bullshit!" Some libertarians are speculating that the project was axed because some people feared the political impact that *Atlas Shrugged* on TV might have had shortly before the 1980 elections (when it was due to be aired).

Atlas fans, organized by Californian Dick Saum, have begun a nationwide letter-writing campaign to get NBC to reconsider. After all, Saum reasons, if it worked for *Star Trek* a decade ago, it might just work again. Those who would like to participate are urged to direct their letters to Mr. Fred Silverman, NBC-TV, 30 Rockefeller Plaza, New York, NY 10020.

• **WARNING.** Last year REASON ran an advertisement by an Atlanta, Georgia, group called Universal Research Institute. It offered a $15 book on tax avoidance. There was a problem with this firm, though—it has never paid for the ad (and for a second one it ordered but never sent). Our letters and invoices have just been ignored. For awhile we assumed that it was just another fly-by-night that had gone out of business. But no—all of a sudden its ads are popping up all over, headlined "How to Immediately Reduce Your Taxes 48.7%." And now the price is up to $20. We can't tell you what to do, but we'd urge people to think twice about dealing with people who don't pay their bills.

• **JOB OPENINGS.** A private business college with a free-market orientation has several faculty openings. Northwood Institute, a 1,650-student undergraduate college, is especially seeking Ph.D. economists in order to expand that department. Those interested should contact Dr. David E. Fry, Dean of Academic Affairs, Northwood Institute, Midland, MI 48640.

—R. P.

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- Are you taking *all* available tax breaks on your home?
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- The risk in using a franchised tax preparer
- 10 tips for writing off all or part of your family vacation—legally
- Tax shelters: many will boomerang—but not these 6
- Are you keeping too many tax records—or too few? A checklist of what you *should* keep, and for how long
- A simple way to handle estimated taxes. 3 ways to avoid any penalty
- How to make Uncle Sam pay for your hobby
- 9 tax-favored businesses
- The triple tax break enjoyed by family partnerships
- Tax-free barter: the feds hate it, but you're safe with these methods
- Year-end tax planning: *now* is the time to start—especially under the new tax law
- Starting a business? Watch for these tax landmines. Your 4 basic choices for tax treatment. Pros and cons of each. Which of these 3 accounting methods is best for you?
- Those "fearsome" IRS computers: half of the letters they generate are wrong
- 3 tax gimmicks you should avoid like measles
- Facts—and misconceptions—about deducting for business at home
- Valuable advice on finding a good tax advisor. How to tell a pro from an amateur. Proper fees for a lawyer-CPA, a CPA tax specialist, a lawyer tax specialist, a general-practice CPA, and a non-CPA
- The mail-order tax shelter: too straightforward for the wheeler-dealers, but ideal for the honest businessman or investor
- New tax "supershelter" for old business buildings
- When is it safe to hire—or become—an "independent contractor" rather than an employee? Tax breaks for both employer and independent contractor—but also pitfalls
- Tax savings from a marriage or a divorce
- How to overcome your fear of the IRS. New ways to counter their bully tactics. How to spot their weaknesses . . . their ceaseless language . . . their menacing tricks with language
- A little-known tax bonanza for the small businessman
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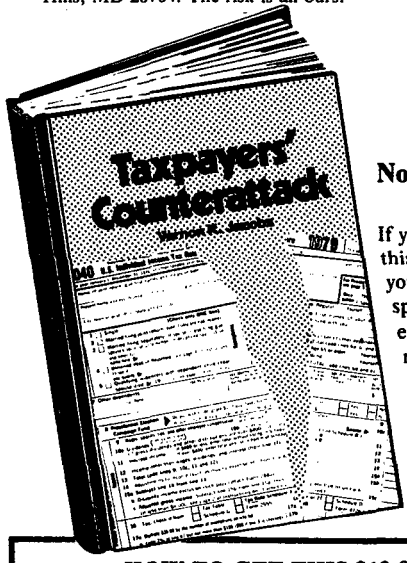

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Insuring Aviation Safety

editorial

The May 25 crash of American Airlines flight 191, snuffing out 273 lives, illustrates once again the disaster known as government safety regulation.

Although the National Transportation Safety Board investigation had not been completed as of this writing, certain facts had already come to light. Apparently, it was loss of two of the plane's three hydraulic systems (which operate the flight controls) that led directly to the crash. That, in turn, was due to the loss of the engine. And loss of the engine was apparently due to cracks in several key structural elements in the pylon (the structure which fastens the engine beneath the wing).

In its usual "lock the barn door after the horse has escaped" fashion, the Federal Aviation Administration made a great show of grounding all DC-10s—several times—and making grave pronouncements. But no amount of posturing could forestall the asking of basic questions of the agency that supposedly looks after the safety of air travelers:

- Why weren't the cracks and other deficiencies that turned up in the engine pylons of 59 of 134 hastily inspected DC-10s identified earlier, as part of the airlines' routine (FAA-required) maintenance checks?
- How was the DC-10 able to receive an FAA Airworthiness Certificate if a single failure can knock out two of its three (supposedly fail-safe) hydraulic systems, leading to a loss of control?

The FAA is none too eager to have such questions asked—because its people know all too well what the answers are. As pointed out in these pages (see "Is This Any Way to Run an Airway?" REASON, Jan. 1979), the system by which the FAA seeks to ensure safety in aircraft design and operation is dangerously flawed. Yet because no one in the Washington establishment can think of an alternative, the FAA is reduced to "covering its tail" and asking for ever bigger budgets to correct its deficiencies.

Why doesn't the system work? To begin with, there's the basic conflict of interest inherent in the FAA's dual responsibility of both promoting aviation *and* ensuring safety. When it comes right down to dollars and cents trade-offs between an extra margin of safety and holding down costs, both aircraft builders and airlines may be tempted to err on the side of economy—and the FAA tends to go along. Like any other single-industry regulatory body, its people identify with the industry they regulate, and the agency is the industry's captive. Thus, most of the day-to-day tasks of checking out designs and supervising maintenance are left to industry personnel, with minimal FAA supervision.

Not that more active FAA involvement could be counted on for much. Of all the Washington bureaucracies, none has a worse reputation for incompetence, sloth, foot-dragging, and confusion than the FAA. Virtually every major crash leads to a General Accounting Office or congressional study of the agency's failings. FAA horror stories abound—Airworthiness Directives cancelled or watered down, fines for safety violations reduced to token levels, design standards hopelessly out of date—but after awhile the alarm dies down and aviation's generally good safety record lulls everyone back to complacency... until the next disaster.

Perhaps worst of all is the soothing effect the FAA has on aviation consumers. Ever since it was created—at the behest of fledgling manufacturers and operators—one of the agency's principal functions has been to defuse the public's fear of flying, to obliterate any thought of "safety" (and its opposite: danger) from the minds of air travelers. As a result, nobody thinks to shop around for the safest airlines (can you name the five major airlines that do *not* fly DC-10s?*) or the safest type of jetliner.** All become interchangeable, blessed by the government.

What the aviation community has done is to *socialize* the air safety function—and therefore to muck it up. As in the case of nuclear power, the aviation industry has gotten the government—i.e., the taxpayers—to foot the bill for setting up and enforcing safety standards. The several billion dollars a year in taxes supporting the FAA constitute an *insurance subsidy*, just as the Price-Anderson Act constitutes an insurance subsidy to nuclear power. And the results—diffusion of responsibility, distorted incentives, and bureaucratic confusion—are similar in both cases.

So what is the solution? As with nuclear power, the key to restoring proper responsibility for safety is to cut out the subsidy. In the case of aviation, that means returning to the insurance industry its proper role of developing and enforcing air safety standards. If insurance underwriters grow too lax with an airline or an aircraft builder, it is *their* profits that will suffer. It will be very much in their economic self-interest to develop and maintain state-of-the-art standards *and* the machinery to see that they are complied with.

This will not go down easily with the powers-that-be. Despite the mounting costs of air crashes (about $40 million to replace the DC-10 and another $100 million in liability claims, in the Flight 191 crash), the insurance industry will probably not be eager to take on the massive job of developing a modern air safety standards program and designing rate structures to motivate compliance. Nor will the FAA bureaucracy be eager to close up shop and go out of business. Yet the longer this solution is put off, the longer the carnage will continue. Air traffic is growing by leaps and bounds, new airlines are entering the field in unprecedented numbers, and a new generation of jet transports is on the drawing boards.

What Congress needs to do is to take *seriously* the numerous reports of GAO, the National Transportation Safety Board, and its own committees over the past decade—all documenting the inability of the FAA to do the job. Mustering great political courage, it must then set a target date—perhaps five years hence—at which time the FAA will go out of business and the air safety job will be transferred to a nonprofit aviation safety organization, on the model of Underwriters Laboratory (electrical equipment safety) and the Insurance Services Office (fire safety).

Will it take more piles of twisted metal and charred bodies to convince our lawmakers that aviation safety is too important to be left in the hands of political hacks and tenured civil servants? Let us hope not. The time to act is now.

* Braniff, Delta, Eastern, Pan Am, and TWA.

** The 737 and 727 are in first and second place, respectively.

Robert Poole, Jr.

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LEARNING TO HEAR—AND LOVE—THE MUSIC INSIDE OF US

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ABOUT DR. NATHANIEL BRANDEN

Nathaniel Branden is the author of The Psychology of Self-Esteem, Breaking Free, and The Disowned Self. He is in private practice in Los Angeles, is Executive Director of the Biocentric Institute, offers training to psychologists, psychiatrists and other mental health professionals, and conducts INTENSIVES in major cities throughout the United States.

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Reason Magazine,
Dr. Cheri Adrian

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letters

Too Many Shots

William Marina's "Shooting Down the Conspiracy Theory" [May] can itself be shot down from a number of different perspectives. His theory is plausible only to those totally unfamiliar with the literature on the Kennedy assassination. Consider the following:

1. If Marina insists on interjecting his own personal impressions (as to the number of shots and their direction) as an eyewitness, why not reveal that 58 ear-witnesses thought that at least some of the shots came from the general direction of the knoll in front of Kennedy?

2. Kennedy's official certificate of death, signed by his own personal physician, Admiral Burkley, described the rear nonfatal wound *not* in the *neck* but "in the posterior *back* at about the level of the third thoracic vertebra." In the Silbert and O'Neill FBI report on the autopsy, this location is confirmed by Dr. Humes and his assistant Dr. Boswell, as well as Secret Service agent Roy Kellerman. This *back* wound below the shoulder lines up nicely with the small bullet hole in Kennedy's jacket and shirt. The Lattimer sketch in the article is as misleading as to the position of the nonfatal rear shot as is the Warren Commission diagram.

3. The doctors at Parkland who did see a small neck wound in front place it higher in the throat than is indicated in the diagrams. Dr. Charles Carrico, for instance, the first doctor at Parkland to see Kennedy and this controversial throat wound, places the hole well *above* the shirt collar. Confirmation of this location can be obtained by an examination of Kennedy's shirt and tie. Although the Lattimer picture has the bullet (from the rear) going through the collar and tie, there is no evidence whatever of such an event. There are *tears* (not holes) in the collar area—most likely produced by the nurses at Parkland as they *cut* away Kennedy's tie—and there are no holes in the tie either. In addition, there were no traces of metal found on either the tie or collar. (See Harold Weisberg's *Post Mortem* for the first close-up pictures of the Kennedy shirt collar and tie.)

4. Marina's attempt to rescue magic bullet 399 is nothing short of breathtaking. We are to accept, apparently, that this pristine bullet caused the Kennedy throat wound and all (most) of the wounds to Connally, even though it has been reported that there was more metal left in Connally and taken from his wrist than is missing from 399. Indeed, most (and perhaps all) of the small amounts of metal missing from 399 were taken by the FBI for spectrographic purposes! We are to accept Marina's account that both were hit by the same bullet despite the fact that Connally reacts well *after* the Kennedy hit. (See Thompson's *Six Seconds in Dallas* for careful analysis that Connally and Kennedy could not have been hit by the same bullet.)

In conclusion, if there is a back (and not back-of-neck) shot, a bullet hole in the throat above Kennedy's collar, a shot that hit Connally, and, of course, the fatal Kennedy head shot (not to mention the so-called Tauge hit) we have too many shots for anything but a "conspiracy."

D. T. Armentano
West Hartford, CT

Oswald's Rifle

Regarding the May article about the JFK assassination: It has always been my understanding that for Oswald to have made those three shots in such a short time span, he must necessarily have been one of the best riflemen in the country. Therefore, if he was an expert rifleman, why did he use an inferior weapon like the bolt action Carcano when, at that time, the much superior semi-automatic M-1 Garand was readily available on the war surplus market, and at roughly the same price? It stretches the bounds of reason to think that even a moderately competent marksman would choose the rifle the Italian soldiers called "the rifle that never hurt anyone on purpose."

Rick Maybury
Roseville, CA

Transit Socialists

The death of an unnamed Oakland fireman in the trans-Bay tube [Brickbats, May] is a historic event. As a transit historian I can think of no similar occurrence. There have been numerous subway accidents, even disasters; but death, in a subway, from smoke inhalation, is, at the very least, most unusual. One would expect that an enclosed, poorly ventilated place such as a subway, with misrouted, high-amperage currents generating great heat, would be the place for disastrously smoky fires; but this hasn't been the case. Here's why:

In 1901 New York's Interborough Rapid Transit Company was building that city's first subway. They directed George Gibbs, one of their engineers, to prepare specifications for the cars. Gibbs convinced them that they needed a completely incombustible car—a steel car with a concrete floor. But the only steel cars running at the time were prototypes. Yet when the subway opened, in 1904, the cars were ready.

No law mandated these cars. It is doubtful that a lawyer could have conceived of such a car. Engineer Gibbs did. Since then, throughout the years, subway car builders have maintained internal standards for fireproof cars, and because of the adequacy of these standards, no laws have been needed. Legislatures just haven't thought about the problem.

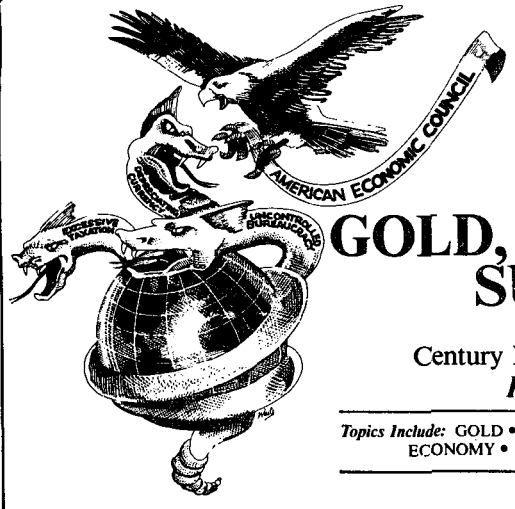
Then came BART with its extravagant science-fiction schemes. Their contractor, Rohr, was without car-building experience, and aerospace Rohr's venture into and then out of car building is reminiscent of the Saint Louis Car Co.'s attempt to build airplanes during the 1930s. Gibbs designed combustible wood *out* of his cars. BART designed combustible plastics *in*. Burning wood emits volatile irritants such as turpentine. Burning polyurethane emits gaseous poisons such as cyanide. The floors, the seats, the side paneling, and the head liners of the BART cars are all made of polyurethane. The fire was so hot that some of the aluminum melted. The roofs were burned off three of the cars.

Some of the IRT cars ran safely for 60 years, and one of them is preserved in the Seashore Trolley Museum at Kennebunkport, Maine, a proud monument to the foresight of Gibbs and the IRT management. It also constitutes a reproach to the transit socialists of BART who, with more funds and longer lead time, produced a car body specification which is obsolete by a factor of 75 years.

M. D. Isely
Trona, CA

Educational Fraud

As a former teacher, I relived the horror (the word is not lightly chosen) of my brief



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RSN

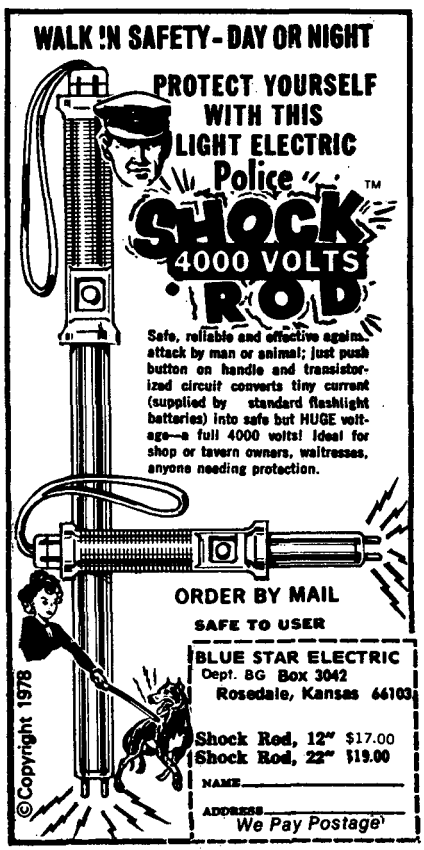
career in the public schools when I read Ms. De Soubiese's article, "Surviving the Blackboard Jungle" [May]. If people think that she is exaggerating the non-academic character of today's public schools, they are fooling themselves....

Almost everyone realizes that public housing, public transportation, public health clinics, and the like, are of extremely low quality, the last resort for those who are unable to procure the desired service in any other way. Why do so many people who realize this still persist in the belief that "public education" can somehow be other than wretched? One has no reason to expect a public school to be any less dismal than a publicly owned housing project: both are the provider of last resort, required by law to accept anyone or anything that crawls up to the door. No *standards* are permissible: it's *public.*

My own experience in the well-to-do school district of Arlington, Virginia (a Washington suburb), which closely parallels Ms. De Soubiese's, suggests that even if it costs your last dime to place your child in a private school, it is money well-spent....

Libertarians need to hit hard on the idea that "our" state-run schools are nothing short of a disaster. This must be done at the local level. The average parent would be shocked literally speechless if he or she could candidly observe what *actually* goes on inside those public schools that the local politicians ceaselessly assure us are so excellent! The typical American accords the idea of "education" near-deity status, and a carefully documented debunking of the myth of local schools' "excellence" will shake up many a complacent taxpayer. (Perhaps students who *want* to learn can bring compact portable tape recorders to class and secretly make tapes documenting the chaos. A dozen or so such tapes played at Board of Education meetings, or for the local newspaper, will shatter many illusions!) If a significant percentage of taxpayers can be made to recognize the fraud that is being perpetrated upon them by the education establishment and begin to realize that excellence and public ownership are mutually incompatible, the collapse of the State education monopoly would not be far off.

Robert Sheaffer
Silver Spring, MD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Teaching Cynicism

Theresa Hale De Soubiese ["Surviving the Blackboard Jungle," May] has no business teaching unless it's a course of cynicism and apathy.

Ms. De Soubiese was hired to teach—not to babysit—yet her suggestions to "water it [education] down, provide no challenge" show all she is capable of doing is babysit. So-called teachers like her are merely a parasite on the taxpayers....

"The suicide rate... among teachers is the second highest of all occupations." Look at the statistics for teen suicide.

Until I read "Surviving the Blackboard Jungle" I had one major misconception—that my teachers were bad. I'm truly thankful that I never had Ms. De Soubiese for a class.

Ketra Oberlander
Junior, Lee's Summit H.S.
Lake Lotawana, MO

Aw, Come On!

Somehow, I always expect REASON's readership to be a cut above that of others such as *National Review, Atlantic Monthly, Newsweek*, etc., but alas.

To cite a couple of recent examples, in your June letters column two readers lambaste the poor guy [Bruce Lagasse, March] who had the audacity to offer his personal—repeat, personal—list of great romantic films. He even allowed as how anybody can agree or disagree with the inclusions or exclusions, but his list was offered for those who may have similar feelings. So what happens, but he becomes targeted as though he has committed the crime of the century for sins of omission as well as commission. My goodness!

The second example consists of the letters berating REASON for its so-called pro-nuclear, anti-solar-and-windmill energy potshots. Quote from one: "For example, the person who installs solar heating and a wind electric system in his home effectively liberates himself from any future government energy manipulations or the abuses of monopoly utilities. Nuclear power and fossil fuel energy sources, on the other hand, will always be vulnerable to government interference." What in the world does this reader recommend when his neighbor's tree shades his solar panels and blocks wind from his windmill? Will

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he ask government to regulate the height of shade trees, to say nothing of nearby walls and high-rise structures?

There are other examples, but you get the idea.

Kent Josephson
Riverside, CA

No to Movie Masochism

Thank you very much for printing Bruce Lagasse's review of libertarian-oriented movies. Bruce and I have talked about old movies for years, and there are some that I would like to add to the list, but none that I would take away.

For years I have complained about the negative movie reviewing in REASON. By negative, I mean reviewing what is running currently at the theatres with no selection of what might be enjoyable and entertaining, as well as uplifting.

Ayn Rand has said that art is the barometer of a culture. If this be true, when I get as serious about self-abuse as I would have to be to pay $4 to sit through some of today's movies, I won't waste my time at the theatre. I'll put an ad in REASON for a partner with whips and chains.

The *Rocky*'s are too few and far between, and if one must occasionally step back into those thrilling days of yesteryear when heroic and romantic lines were not only uttered, but believable, then we should all be glad that that heritage in film is there to draw upon.

Of course, the current reviews are necessary to help best evaluate what is being offered in the present, but when you would like to curl up at home and watch some good old friends who will share with the wonder and pride of being MAN and WOMAN, Bruce's list will serve you well.

Thank you, Bruce.

Glenda Bull
Los Angeles, CA

Liberty and Reason

"All who are friends to liberty are friends to reason, the champions of liberty; and none are foes to liberty but those who have truth and reason for their foes. He who has dark purposes to serve, must use dark means: light would discover him, and reason expose him. . . . Liberty only flourishes where reason and knowledge are encouraged. . . " (from *The Antifederalists*, ed. Cecelia M. Kenyon, p. 21).

Tibor Machan [Editorial, Apr.] is good at condemning instinct—"[as] instinct can be conceived of in human affairs, as reliance on past habits and forms of thought regardless of reason, logic, and the facts of reality"—but not good enough, precisely because he condemns what he calls "instinct" and I call "magical thinking" (REASON, Sept. 1976). The insight that the irrational is *wrong* is not enough, and not even very difficult. What remains—where the difficulty lies—is for the champions of reason and liberty to explain the *power* of the irrational over the human mind in its various forms—religion, mysticism, politics.

I challenge Dr. Machan, one of the libertarian movement's foremost thinkers, to make such an explanation. It is time for rationalists to shed light on the dark purposes and dark means of the irrationalists, altruists, and collectivists—discovering and exposing perhaps not a satanic conspiracy to destroy mankind but simply a human failing that can be understood and remedied.

George Morrone
Harrisburg, PA

Mr. Machan replies: Although I am well occupied with things I could think of doing, I don't deny that Mr. Morrone's topic is interesting. Briefly, my general idea is that the irrational is powerful somewhat as a car or plane or any otherwise very use-

(Continued on p. 49.)

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brickbats

☐ **The city of San Francisco,** oft-noted as a quiet middle-American community, erupted in a "night of gay rage" following the surprisingly lenient voluntary manslaughter verdict in the Dan White case. White gunned down S.F. Mayor George Moscone and gay activist Supervisor Harvey Milk at pointblank range last November 27. White will be incarcerated just five to eight years for the multiple slayings, having convinced the jury of "diminished mental capacity." Such a plea was entered on the grounds of former County Supervisor White's "junk food binges" wherein he would "compulsively" wolf down "candy bars, cupcakes and Cokes," an obvious sign of serious mental illness. The San Francisco gay populace, many of whom have devoured sweets in quantity without ever subsequently taking a life, was unimpressed with the so-called "Twinkie Defense." An angry mob spread the war cry "out of the bars and into the streets," where the fashion was to do violence to windows on government buildings and unattended police vehicles. Order was restored (not by the cops, naturally) only by, according to *Newsweek*, "gay volunteers wearing white armbands and T-shirts that said, 'Please, no violence.' "

☐ **Bill Walton, the 6'11" basketball superstar,** has landed the richest contract in National Basketball Association history. "Million dollar Bill" will haul in one million per fiscal annum for a seven-year hitch with the San Diego Clippers. No cost-of-living escalator was included, however. The grinning redhead, who at last report needed approximately 45 minutes to construct a 12-word sentence, seemed unaware of any potential conflict with his outspoken collectivist philosophy. A former history scholar at UCLA, the seven-foot egalitarian gained rave reviews in past seasons for his slow but vicious denunciations of obscene profits, worker alienation, and capitalist oppression. However, a mellowing process has likely overcome the one-time SLA groupie, and Mr. Walton's dedication to the advance of socialist bliss has given way to a less ambitious worldview, to wit: "I have two goals. I want to bring the Clippers the NBA title... and I want Brent Musberger to keep from calling me Mountain Man." The priority of "workers' ownership" was conspicuous in its absence. The three-piece-suited pituitary giant even went so far as to proclaim, "I'll play and we'll all make money." Clippers' owner-exploiter Irv Levin agreed; he announced across-the-board ticket price hikes the day following Walton's signing.

☐ **And now the Gas Crisis of 1979.** Lines at Southern California gas stations have stacked up for as much as eight miles, and several persons have been killed in fires initiated by exploding gasoline cans. Yet, the entire calamity remains a deep, dark secret—a public policy black box. Somehow the fact that for the 100 years prior to 1971 Americans had no trouble securing a dependable supply of oil and gas at *declining* real prices, and that in the years since 1971 we have sprouted long lines, exponentially increasing prices and a $10-billion-a-year black hole called the Department of Energy seems to have left very little residue in the average American's mini-mind. Price controls were the magical potion which transformed the good ol' days into the era of the "energy crisis," and petroleum products remain the only commodities in the entire economy blessed with such controls.

Yet, take one Harold J. Haynes: chairman and chief executive officer of the behemoth Standard Oil of California, he might be expected to know something about why we see two-hour line-ups at service stations but not at supermarkets (first clue: there ain't no price controls on food). When the *Los Angeles Times* featured Mr. Haynes's wit and analytical insight in a front-page interview, he discussed the situation for three pages before even pronouncing the word "price," which he finally did in response to a question that interjected this forbidden term for him. His explanation of the whole mess will undoubtedly bring energy experts to their feet: "I don't think what we are going through is really a crisis. I don't characterize it as a crisis. It is inconvenient to be sure, darned inconvenient. We are just simply going to have to cut back a little. It will be inconvenient.... My wife just hates to sit in those lines. She's the one that buys gas in our family and she just hates this. She fusses at me more than you have." As for this corporate giant's grasp of why supply fails to equate with demand: "...that's very, very simple. I mean we are waiting in line simply because there's a shortage of gasoline. Now this month we are even more short of crude oil and in turn we're short of gasoline compared to what our forecast had been, and we had to reduce the allocation factor to the service stations to 80 percent." Harold J. Haynes was paid $492,000, plus bonuses, for his services last year.

☐ **Ms. Jane Fonda,** ever gracious in her acceptance of the 1978 Oscar for best actress, promptly issued a censorship call for a rival flick which snagged the coveted best-picture statue. The *Barbarella* sex symbol, who missed out on the casting of the classic *Billy Jack* due only to the worst of luck, cried that *The Deer Hunter* should never have been made. The part-time nuclear physicist was upset over scenes in the movie showing American POWs and the various forms of amusement which they provided for their communist hosts. Fonda is confident that such scenes are no more than CIA propaganda—so confident in fact that she is having no part of Joan Baez's current campaign to pressure the socialist liberators in Vietnam to allow Amnesty International into the country to investigate charges of mass murder, indoctrination, and relocation programs. Ms. Fonda-Hayden doesn't feel that it is necessary for Amnesty International to actually go to Vietnam to see what the truth is. After all, in responding to reporters' inquiries, the starlet conceded that she had never actually seen *The Deer Hunter.*

☐ **America's esteemed public school network** has instituted forceful measures to stem criticism from students, parents, and all observers not on the public school payroll. Yet teachers are incensed by a growing reliance on competency tests for instructors, chastising them as "witch hunts" and "old racism in new clothing." Little wonder the panic. During a recent teachers' strike in New Orleans, one gifted public school professor proudly paraded a picket: "We are striking for descent wages." A printed study guide for Virginia's third-graders asks, "What did the sculpture told the archologists?" But the prize for this semester must go to the conscientious civil servant in the Mobile, Alabama, learning institution who wrote a letter to the parents of a youngster in trouble: "Scott is dropping in his studies he acts as if he don't care. Scott want pass in his assignment at all, he had a poem to learn and he fell to do it." Poor Scott.

—Thomas Winslow Hazlett

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trends

Denationalization Agenda

While deregulation has become the watchword in the United States, denationalization looks like the coming thing in the United Kingdom. The election of Margaret Thatcher as prime minister is expected to lead to a major shift in the role of the State in Britain.

Sources close to the Thatcher government have identified many specific targets for denationalization. Among the first firms to be offered to private investors will be British Petroleum, British National Oil Co., British Airways, and recently nationalized British Aerospace. Perennial money-losers like British Leyland and British Steel are not yet on the agenda, because of lack of investor interest.

Prof. Walter Eltis of Oxford University recently presented data showing that the average "surplus" produced by Britain's nationalized industries over the past 17 years has only been 11.1 percent, compared with 35.9 percent for private-sector firms. In the last five years or so, more and more nationalized firms, instead of producing surpluses, have grown dependent on government subsidies. Thus, "far from supporting the welfare state" (as taxpaying firms do), they "themselves became a major part of it," notes Eltis. It is this kind of industrial cannibalism—consuming the nation's capital—that denationalization is aimed at.

The Thatcher government is pledged to reduce the State in other ways as well. Government employment is scheduled to be reduced by 10 percent by not filling vacancies left by normal turnover. Unemployment benefits for striking workers will no longer be provided. And tax rates will be cut—the top rate from its present 83 percent down to 60 percent and the basic rate from 33 percent to 30 percent. No laissez-faire utopia, to be sure, but a healthy change from the steadily increasing statism of recent decades.

Conserving Wetlands—Privately

Those who consider the preservation of marshlands a "public good"—something that must be paid for by taxes because the beneficiaries are so diffuse—have never reckoned with duck hunters. This particular breed of sportsman turns out to be particularly far-sighted when it comes to ensuring the survival of the habitats that make possible his favorite passion.

So it was that 42 years ago a group of duck hunters organized Ducks Unlimited —a nonprofit, tax-exempt, international wildlife conservation organization headquartered in Chicago. Recognizing that there would only be an abundant population of ducks if somebody took action to preserve their habitats, the group set about doing just that.

Over the years DU has learned a great deal about marshes and other environments. It turns out that certain conditions of water and flow are much more favorable for waterfowl protection—and that floods can be disastrous for ducks, too. Thus, a great deal of the organization's efforts go into building dikes and improving slightly on nature to ensure abundant waterfowl breeding. In 1977 DU spent some $10 million on improving and managing Canadian wetlands. (Over 70 percent of North American waterfowl originate in Canada, so most of DU's efforts are focused there.) The group does not purchase land, relying instead on donations via easements and long-term leases.

Thus, without any government coercion, hundreds of thousands of acres of valuable wetlands are being preserved for present and future generations.

Utility Revisionism

One of the frustrations of modern life is having to deal with the local utility monopolies—the electric company, gas company, phone company, et al. No matter how bad the service or how high the bill, you have no alternative supplier to turn to, and no hope of one. The utility has an exclusive franchise, a legal monopoly granted by the State.

Traditionally, economists have supported such monopolization on the grounds that utilities are *natural* monopolies that, left to their own devices, will charge exorbitant rates and make huge profits. They therefore support the idea of state public utility commissions to regulate prices and service—in exchange for protecting the monopoly status from competitors.

But several years ago a few economists began to question this rationale. Just because a utility industry might end up, in equilibrium, with a single dominant supplier in an area does not necessarily mean it would be able to charge "monopoly prices," argued UCLA's Harold Demsetz. If there are no legal barriers to entry, he theorized, the threat of competition from potential bidders will force the existing firm to charge competitive prices. Instead of granting exclusive monopolies, the State should seek only to prevent the emergence of barriers to competition.

Many economists remained skeptical of this theory, but Gregg Jarrell of the University of Rochester decided to put it to the test. Digging back into the history of electric utility regulation, he found that most state public utility commissions were created between 1910 and 1914. Prior to that, control over electric utilities rested in the hands of city governments, most of which granted *competitive* franchises.

Jarrell decided to test whether state regulation did what its advocates said it did—lower prices and restrict profits, while expanding output. To do so he collected data on utility operations for states that regulated early and states that regulated later. His hypothesis was that regulation—if conventional theory were correct—would have come earliest in states where the utilities' monopolistic nature was having its strongest effects—high prices, high profits, and less output. But it turns out that just the opposite occurred. The earliest-regulated states were those with much lower prices (46 percent), lower gross profits (38 percent), and higher output (23 percent). Moreover, after five years of state regulation as legal monopolies, prices and profits of the regulated utilities rose while output fell. What occurred, in other words, was that regulation replaced *competitive* conditions with *enforced monopolistic* conditions. Instead of correcting for monopoly's defects, it created and enforced them.

Next time you complain about the size of your electric bill, remember that you have nowhere else to turn not because of a *natural* absence of competition but because of an enforced monopoly—one that's apparently quite unnecessary.

Trucking Deregulation Moves Ahead

Despite the Carter administration's backing off from its earlier advocacy—as the price of a settlement with the Teamsters' Union—truck deregulation is making

slow progress. At the federal level, Sen. Edward Kennedy has taken the lead, introducing in May a comprehensive bill to deregulate the industry by 1985. The bill goes far beyond Kennedy's earlier proposal to lift antitrust immunity from trucking rate bureaus. In many ways it parallels the successful model of airline deregulation that the senator helped push through last year.

In the measure's first phase, as of 1981 the burden of proof for both entry and pricing would be shifted from new entrants (who now have to prove a need for the service) to existing carriers (who would have to prove the new service unnecessary). Price-fixing by rate bureaus would be outlawed, and rates could be increased or decreased within a "zone of reasonableness" without approval of the Interstate Commerce Commission. The second phase, as of 1983, would allow any carrier that is "fit, willing, and able" to provide service, rather than just those holding costly ICC permits. And ICC authority over mergers would be shifted to the Justice Department, like all other industries. Finally, in 1985 all ICC authority over trucking would be ended, with safety monitoring transferred to the Transportation Department. Pricing would be left entirely to the marketplace.

Meanwhile, support for deregulation is building up in California. Late in May the state Public Utilities Commission voted 4-1 to begin dismantling its own trucking regulations. Effective next January 31, minimum rates for 900 firms that haul oil and petroleum products will be abolished. And in July the PUC expects to remove minimum rates on 19,000 firms in the general freight category. The PUC's moves are intended to stimulate competition and lead to lower prices.

Although the California Trucking Association threatened to sue, independent truckers were delighted. A convoy of 27 independents carried out a noisy but peaceful demonstration in downtown Los Angeles May 29, urging similar deregulation on the federal level. Wayne Kennedy, an owner-driver from Cherry Valley, told reporters that truckers from across the country had organized a "freedom express" to indicate their unhappiness over restrictive federal regulations.

South Africa Progress

Contrary to what you may read in the papers, the news from South Africa isn't *all* bad. In fact, reports REASON's Leon Louw, in the past two years there has been more decontrol in South Africa than anywhere else in the world. For example, rent controls are being phased out over a five-year period, and a committee is studying how to abolish the remaining price controls. In fiscal and monetary policy, the government's share of the GNP has been cut this year, for the first time since World War II; tax rates have been cut; and the government has committed itself to "financial discipline"—only small increases in the money supply, so as to limit inflation. Agricultural controls are being reduced and subsidies phased out, and restrictions on transportation competition are being relaxed.

About the only positive trends being reported abroad are the recent moves to reduce petty apartheid and to move toward a free market in labor. Two recent commissions have made strong recommendations for repeal of racially restrictive laws. The 14-member Wiehahn Commission urged that laws reserving certain job categories for whites be abolished, that laws requiring workplace segregation be repealed, that trade unions be open to all races, that the closed shop be outlawed, and that black unions be given legal standing (the same as white unions). The government's labor minister accepted the recommendations "in principle" and scheduled early parliamentary action.

A week later the Riekert report proposed a number of changes aimed at reducing apartheid restrictions, including an easing of strict controls on entry of nonwhites into urban areas (the hated "pass laws"), ending the ban against wives without passes living with husbands who have passes in cities, and allowing more businesses in black urban residential areas. The report was declared "acceptable to the government" by its economic affairs minister.

Although some whites (including hardline union leaders) blasted both reports as going too far, and some blacks damned them as tokenism, many white and black leaders welcomed them as evidence of progress toward a more rational approach to the nation's difficult racial problems.

Space Company Launched

One of the boldest industrial ventures in history has just been launched—a company whose eventual goal is the construction and sale of solar power satellites. Incorporated last August and having completed its registration with the Securities and Exchange Commission, the firm—International Satellite Industries, Inc.—is making its first ($3 million) stock offering.

That's a long way from the estimated $90-$100 billion in research, development, and construction needed to bring the first such powersat into being. But the company's ambitious plan recognizes the need to work up to its goal in steps. In its early phase ISI plans to accumulate capital by selling stock. The proceeds will be invested in companies working on, and likely to benefit from, large-scale space industrialization. ISI will invest the interest in its own space-related R&D, patenting the results. Over a 15- to 20-year period the company will acquire increasing knowledge of the powersat's feasibility and be able to make a go/no-go decision. If the idea doesn't pan out, the company will liquidate and divide the assets among its shareholders. If powersats look profitable, it will convert to an operating company, taking on debt and equity financing to proceed to the construction phase.

The company's directors include former astronaut Philip Chapman, currently a physicist at Arthur D. Little, Inc.; H. Keith Henson, a computer manufacturer and a founder of the L-5 Society; Boeing's powersat manager Ralph Nansen; Princeton physicist Brian O'Leary; Lockheed program manager Edward Stearns; and attorneys Edward Finch and ISI founder Christian O. Basler. It will be interesting to follow ISI's totally private efforts to develop space technology over the coming years.

Phony Campaign Reform

One of the most persistent misconceptions of today's politics is that taxpayer financing and restrictions on individual contributions will make elections fairer—which usually means increasing the feasibility of challenging incumbents. Not so! says Heritage Foundation analyst Thomas Ascik in a recent study.

Using a present bill (HR 1) as an example, Ascik points out that its matching-fund provision (government matching for all $100 or less contributions received by a candidate) would favor incumbents. Why? Because data from 1976 and 1978 show that incumbents are generally far more successful in raising such contributions. That's partly because of the many perks of office—voter mailing lists, free mailing, free media coverage, etc. And since incumbents are historically more likely to win, special-interest groups tend to favor them over challengers.

The proposed HR 1 would also restrict the candidate and his family from putting more than $25,000 into his own campaign. But data from 1976 and 1978 show that it is challengers who need to rely most heavily on personal resources—since their success in raising outside money is more limited.

Rather than limiting individual contributions or spending taxpayers' funds, Ascik suggests raising the current $1,000 ceiling on personal contributions to any

one candidate. That, he thinks, would do far more to give challengers—the underdogs—a fighting chance.

New McCarthyism Hits Universities

Government affirmative action programs imposed on universities are destroying academic freedom, causing harm "that lasts for a long time, longer than the villainous harassment of Senator Joseph McCarthy." So said respected sociologist Edward Shils, in a lecture sponsored by the federal government's National Endowment for the Humanities. Castigating government for trying to make universities into instruments of social reform, Shils argued that pursuit of these goals has come to be "seriously in conflict with the no less important ideal of the pursuit and application of truth."

And that's hardly the only voice being raised these days against an increasingly obtrusive government presence. Even schools that do not accept federal funds on principle, like Hillsdale College (see "The College That Told Uncle Sam Where to Go," REASON, Aug. 1977) and Grove City College, are coming under the affirmative action guns because some of their students receive federal loans or tuition grants. And this spring the Department of Health, Education and Welfare has ordered the University of North Carolina to reduce program duplication between its largely white and its largely black campuses (both of which are open to all on a nondiscriminatory basis), and to refrain from starting any major new programs at its largely white campuses. Like Hillsdale and Grove City, UNC has decided to fight back. It has hired former ACLU counsel Charles Morgan to argue its case against HEW's mandates.

"Governmental intrusion is a considerable and growing concern," says Stanford president Richard Lumann. Especially given the increasing dependence of most schools on federal funds—as much as 50 percent in the case of MIT and 46 percent at Princeton. It looks as if university presidents have finally realized that the one who pays the piper really *does* call the tune.

What Price Resource Conservation?

The past decade has seen a greatly increased interest in conservation. Computer models, consumer advocates, and gurus all tell us we are using up vital mineral resources, selfishly depriving future generations of these irreplaceable materials. It is true that in some sense the earth's resources are finite—but agreeing to that is not the same as justifying a particular conservation effort. The question that must ultimately be asked is this: Does it make economic sense to forgo present consumption of a particular resource?

Three economists—Gerhard Anders, Phil Gramm, and Charles Maurice—recently set out to answer that question. Their reply appears in a paper, "Does Resource Conservation Pay?" put out by the International Institute for Economic Research. To answer the question they looked at historical data to determine, for specific minerals, whether extracting them and investing the proceeds *or* leaving them in the ground for the same length of time and then extracting them would lead to greater future wealth. For 14 depletable resources they calculated the value in 1975 that could have been realized by investing the value of a unit of each resource in 1900. This they compared with the actual value of the resource in 1975. For four alternative interest rates, the results in every case were that extracting the resources made far more sense than conserving them.

It is not hard to see why such results would occur. Once a material is found to be a "resource," it is by definition something of value. Making use of it while it is valuable is a sensible policy, given that technology is continually changing, making some things more and others less valuable. The authors point out that a 19th-century policy of stockpiling whale oil would have been an economic disaster, because petroleum and other fuels came along, making whale oil obsolete.

Government, in particular, has no particular means of foretelling the future, so as to determine *what* resources may be valuable 20 or 40 or 60 years hence. Calls for government-mandated resource conservation can be seen as particularly wrongheaded and likely to make future generations poorer, not richer.

Where to Invest

Used to be that managers of pension funds fulfilled their responsibilities to manage prudently by investing in things like high-grade corporate bonds. Yet a fund manager investing only in such bonds over the past decade would have just kept even with inflation—earning a 6.1 percent compound annual return, the same as the CPI growth. Common stocks in the same period averaged a pitiful 2.8 percent annual growth.

Hence, many financial managers are paying increasing attention to "nontraditional investments." A Salomon Brothers study that's receiving widespread circulation shows that since 1968 gold has increased at a compound annual rate of 16.3 percent, stamps at 15.4 percent, diamonds at 12.6 percent, silver at 9.1 percent, and Chinese ceramics a whopping 19.2 percent. T. Rowe Price Associates has teamed up with London bank Robert Fleming Holdings, Ltd., to provide pension funds with advice on investing in foreign stocks. The New York Mercantile Exchange is planning a futures contract in diamonds. Many Keogh plans and IRA managers are now accepting gold, silver, diamonds, stamps, and coins. And Alaska governor Jay Hammond has asked for legislation permitting the state's public employees' and teachers' retirement funds to invest in gold bullion, for-

eign currency CDs, and real estate. "Traditional outlets simply can't maintain the purchasing power of the pensioners' dollars," says state investment officer Michael J. Riley.

More Competition for Ma Bell

The extent of competition in long-distance communications continues to grow, egged on by a once-reluctant Federal Communications Commission. In April the long struggle of MCI Communications Corp. finally ended, when a court-ordered access agreement was signed by AT&T and its three (so far) long-distance competitors. The pact set up rates for access to Bell's local phone networks by MCI, Southern Pacific Communications Co., and ITT. Initially the rates will be 33 percent more than AT&T's own local customers pay, rising to 80 percent more over a three-year period. Before the courts intervened, Ma Bell was trying to charge 300 percent more, as a way of preventing the competitors from operating.

All three newcomers are now in operation, MCI's Execunet in 45 cities, SP's Sprint-5 in 52 cities, and ITT's City-Call in 11 cities so far. Minimum monthly fees are $75, $25, and $50, respectively. All three offer substantial savings—15 to 86 percent—over phone company direct-dial long-distance rates.

ITT is also planning to introduce a facsimile system for electronic mail service later this year. Unlike systems based simply on phone lines, the Faxpak system routes facsimile transmissions through a computer, so that normally incompatible machines can be linked up; the computer puts the image in a different format as necessary. The new service competes with a similar store-and-forward facsimile service called Faxgram, offered by Graphnet Systems, Inc.

Similar developments are under way in Canada. In May the Canadian Radio-Television and Telecommunications Commission issued a ruling requiring Bell Canada to provide local access to its principal would-be competitor—CNCP Telecommunications, a joint venture of the Canadian National and Canadian Pacific railroads. CNCP provides Telex, facsimile, computer data, and TV signal transmission services, in competition with Bell Canada. The ruling means that any telephone subscriber will now have dial-up access to the CNCP system.

Another solution to the access question is to bypass the phone company altogether. American Satellite Corporation is now offering such a system using rooftop satellite antennas. Western Bancorporation has become one of its first users, linking offices in Portland, Seattle, Phoenix, and Los Angeles by satellite. Eventually the firm plans to link 22 banks with 800 branches using the system—at 40 percent savings over the telephone and postal systems. A rival system using satellites and rooftop antennas is under development by Satellite Business Systems.

After some years of resisting these erosions of Ma Bell's monopoly, the FCC seems to be throwing in the towel. In May it tentatively approved a plan to greatly ease the paperwork requirements imposed on competing carriers—and is considering a plan to deregulate them altogether. At the same time it is planning to allow AT&T, at long last, to begin offering data-processing services, so long as they are provided by separate subsidiaries not subsidized by monopoly services. This move should significantly increase competition in the booming data communications market.

The way things seem to be going, in another 10 years the words *telephone* and *monopoly* will seem very out of place linked together.

Tax-Cut Benefits

Those who pooh-poohed Kemp-Roth and the Laffer Curve—whose proponents argue that cutting back high tax rates will lead to prosperity—may have to eat their words. Economists Robert Genetski and Young Chin of Chicago's Harris Bank examined the rates of economic growth in all 50 states and compared them with changes in their tax burdens. The result? States with tax cuts have had better-than-average rates of economic growth. Those whose tax burdens increased sharply—New York, New Jersey, Connecticut, Rhode Island, and Massachusetts—experienced economic decline. "Those states which are successful in cutting relative tax burdens will experience higher economic growth rates than the nation as a whole," concluded Genetski and Chin, "while those states which do not... are likely to suffer below-average economic growth."

Your move, Professor Galbraith.

Milestones

• *Contracting garbage.* Manhattan borough president Andrew Stein has proposed that four of the borough's 12 sanitation districts be turned over to private enterprise. Under Stein's plan the monopoly of the city's inefficient sanitation department would be broken, and both garbage collection and street cleaning in the four districts would be put out for competitive bids.

• *Tolerating pot.* California public opinion on marijuana has undergone a major change in the past decade. The California Poll reports that only one-third of the state's adults favor strict enforcement of the marijuana laws, compared with three-fourths of them 10 years ago. One factor seems to be a rise in consumption: some 42 percent now acknowledge marijuana use, compared with only 28 percent as recently as 1975.

• *Appropriate reward.* If Congressman Ron Paul has his way, members of Congress would have a direct incentive to stop inflation. Under a bill introduced in May, the salaries of senators and representatives would be reduced each month by the percentage increase in the Consumer Price Index. "This is the quickest way I know to educate Congressmen in the realities of economics," says Paul.

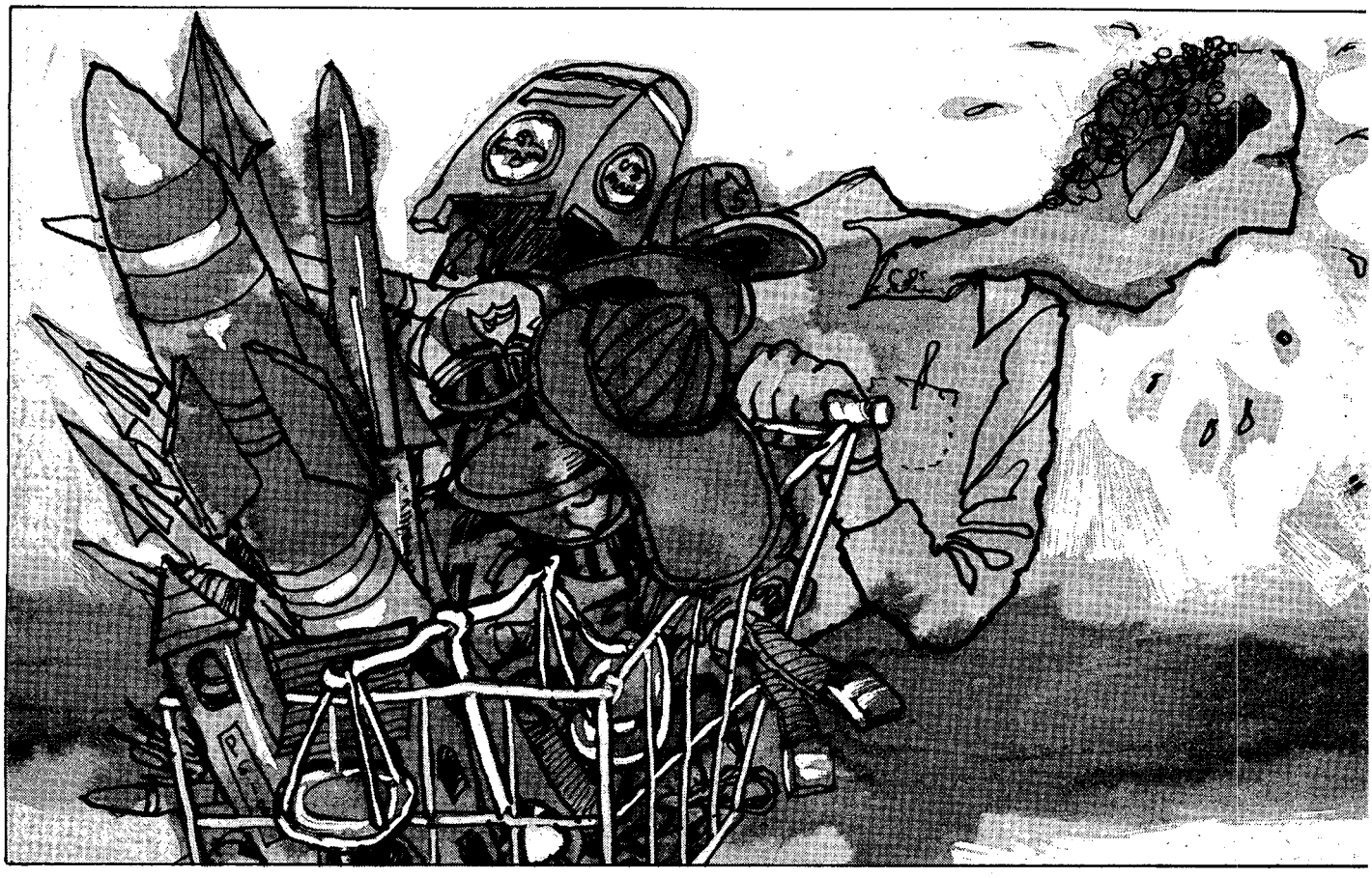
• *Liberty Amendment victory.* After 20 years of near obscurity, the Liberty Amendment (to repeal the personal income tax) has won acceptance by an eighth state. On April 17 the Arizona legislature voted to ask Congress to call a convention to repeal the 16th Amendment.

• *Fluoridation illegal.* Those opposed to government fluoridation of public water supplies appear to have found a new weapon in Public Law 93-523, the Safe Drinking Water Act of 1974. A section of the act provides that "no national primary drinking water regulation may require the addition of any substance for preventive health care purposes unrelated to contamination of drinking water." Another section provides that state regulations shall be "no less stringent than such [federal] regulations." Thus, it appears that state or federal imposition of fluoridation is illegal.

• *Nevada vs. feds.* The Nevada legislature has passed a bill authorizing a state lawsuit challenging federal ownership of much of the state's land. It specifically challenges the Bureau of Land Management's right to 50 million acres of Nevada land—about 63 percent of the state. The bill's sponsor says that New Mexico, Arizona, Utah, Oregon, and California legislators are considering similar actions.

• *Union Fees Overturned.* A federal district court in Maryland has ruled that the use of compulsory union dues for any political purposes violates the First Amendment rights of employees who object. The suit pitted 19 telephone company employees, aided by the National Right to Work Legal Defense Foundation, against the Communications Workers of America. Judge Stanley C. Blair ordered the union to refund to objecting workers all fees that exceed the union's costs of collective bargaining.

—Robert Poole, Jr.



SHRINKING GOVERNMENT

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ACROSS THE ENGLISH-SPEAKING world, the system of government is breaking down. In the lucky countries (the United States? Australia?), government is due to decline in importance, so the breakdown should not matter. But it may be easier to avoid some pain everywhere if people begin to understand what is happening.

There are two ways in which a free man can choose his government. The most sensible and direct way is by voting with his feet. The individual can go to live in an area where the government—which can in future be a very local government—permits the lifestyle, rules, and customs that he likes. In the 21st century this will become the most usual method of choosing a free man's government, because of the growth of (a) telecommunications (which will make it unnecessary for a brain-worker to live near his workplace) and of (b) commonsense.

The second and dying way of choosing governments is by voting through the ballot box: by pretending that one can affect one's lifestyle through intimating which of two candidates for president or mayor is on some first Tuesday in November putting on the tribal or party demonstration that temporarily annoys one least. As is usual during the decay of a system that worthy institutions and pious men have not quite finished building up, it is unrespectable to point out that democracy is dying and is going to be replaced by something better, called consumers' freedom.

PUBLIC IMPERIALISM

Through all the period shaping our generation's subconscious, the advance to voting democracy has been regarded as trailing clouds of political morality, as unassailable by decent men as were chivalry, Christendom, feudal obligations, the holy inquisition, the divine right of kings, and the British Empire during the periods when quite appalling things were being done in their name. But in the past

The tax revolt and the computer revolution will transform government. People will soon be able to choose what "public services" they want—as consumers rather than voters.

by NORMAN MACRAE

decade it has become clear that voting democracy cannot work because of (I think) five interconnected reasons.

The advance to voting democracy was advertised as bringing to culmination the process by which power has passed from kings to nobles to capitalists to, finally, us the voting people. Instead, power has passed even in the English-speaking world to what Solzhenitsyn has called the "political bureaucrats" and the "official bureaucrats." These two groups now spend a higher proportion of GNP than did the priests, kings, nobles, and capitalists during their own peak periods of power. Awkwardly, they are spending it with a smaller sense of *noblesse oblige* than did the old power groups in their tamed later years. Read the Watergate tapes if you do not understand this.

This is not mainly because the Nixons, Haldemans, saved-again southern Baptists, Oxbridge civil servants, town clerks, general secretaries of monopoly trade unions—and other political or official bureaucrats whom we elect, appoint, or get stuck with—are less or more virtuous men than were the originally saintly medieval bishops, crusading kings, nobles created out of chivalry, or pious Andrew Carnegies who had too much power over our fathers before us. It is because people eventually tend to define morality as being directed toward the survival of their own group. The reason why we must never allow particular groups to have too much spending power in their hands is that they are certain eventually to have a main and loyal objective of keeping their own bureaucracies growing, because each decision taker within the system finds that feeding the machine will give him personally a quieter life.

During these 1970s it has therefore unsurprisingly become clear that public-sector imperialism is not going to be curbed by electing politicians who promise to curb it. Ronald Reagan, the archbishop of such promises, was a two-term governor of California; his governorship left California in desperate need of Propo-

ILLUSTRATIONS BY DON WOOD

sition 13—and (as Irving Kristol has said) he would not really have diminished public-sector imperialism if he had been a two-term president of the United States. In the same way it was always absurd to elect Jimmy Carter to run against Washington from inside Washington. "They," cannot be elected to curb "them."

Public-sector imperialism in democratic countries is not going to be rolled back by electing some monk to dissolve his own monasteries, nor (don't let's become too dramatic) by the 1789 or 1917 types of bloody revolution. But over the next few decades it is now probably going to be rolled back by a worldwide series of broad but changing equivalents of California's Proposition 13.

These reforms will roll slowest, or cause the greatest internal ructions, in the countries where the rot from the era of public-sector imperialism has spread farthest—like Britain, where 30 percent of workers now have jobs in the public sector and, even more significantly, nearly 50 percent of trade-unionized workers do. Awkwardly, it is going to be desirable progressively to eliminate most present jobs in the public sector. This stems from the next embarrassing development during the past decade and a bit.

HOW MUCH GOVERNMENT?

The concentration of spending power in the hands of bureaucrats had been sanctified on the supposition that there are lots of services that can more efficiently be produced by State monopoly than by the market. In the past few years, though, it has become probable that none of these now exists. Even in the 18th century's "traditional four" public services (of justice, police, arms, and some modicum of public administration), rich countries' productivity per man has sometimes declined during the past two and a half decades by over 90 percent, while productivity per man in most free-market industries has more than doubled.

This has happened while technological progress (new psychiatric insights for justice, the information-processing revolutions for the police and public administrators, the extraordinary increase in killing power per dollar spent) should have made it especially easy for advanced countries to have enjoyed more effective crime prevention, cheaper public administration, and simpler national defense. But there really is no way of saying that crime rates have anywhere done anything but soar in response to the employment of more police, to longer hours in court, to new prison regimes; that the doubling of local government administrative staff has anywhere led to greater expedition in the handling of citizens' business, instead of typically taking much longer; that gunboat diplomacy was made more terribly swift and sure as the highest-technology country in the world spent today's equivalent of $500 billion on losing a war to North Vietnam.

Despite this breakdown in traditional public-sector production, the political bureaucrats and official bureaucrats have assumed that extra spending by them would be a good agency for managing many other services, especially health, education, and welfare and housing and urban development. During the peak period of expansion of HEW, health costs rocketed, educational test scores dived, and the welfare system crippled instead of aided its clients. During the peak period of expansion of HUD the centers of cities collapsed.

The breakdown of public-sector productivity has not come about because less-efficient or less-educated people are coming into public service jobs. One of the troubles is precisely that a "new class" of more-educated, energetic, articulate, and ambitious people have come into them—but are working in an environment where cost-effective methods of production cannot now be achieved, for two reasons.

The main reason is this: The decision taker in any efficient productive system must now restlessly ask, "What is the best quickly changing and labor-saving technology that I should use to accomplish this task?" In a State bureaucracy, on the other hand, decision-taking power falls into the hands of people who can explain most suavely that anybody who keeps asking these questions is being a bad colleague by constantly rocking the boat. In some big business corporations, with layer of management sitting upon layer, decision-blocking power has fallen into the hands of similar middle bureaucracies. These go slowly bust or their managements are more quickly taken over by more innovative concerns. But State bureaucracies are not allowed to be improved by death and therefore carry on expanding even when their productivity per man has absurdly disappeared.

There is a conspiracy to pretend that human beings cannot have choice in governments.

The second reason for the accelerating crisis in bureaucratic production is that most State services belong to the "information industry." Clearly, most of the information industry is part of that large section of business where top people cannot much longer sit arranging how the brainworker in the office below can best work with his imagination—and where, instead, innovation and experiment will have to be sought through small, separate, competitive, and entrepreneurial profit centers.

In the 21st century it is at last going to be seen that it is logical to let the size of each local government unit be set flexibly by what local people at each changing moment want. It will be seen as sensible to let them choose as customers, not as voting democrats, between as many variants of competitively tendered services as possible.

In the private sector, a housewife buying food is given the choice: How much food do you want, knowing that this is what you will have to pay if you choose that food from this supermarket? Human beings will not be free until they are allowed, in the smallest possible groups, to answer the question: How much government do you want, having been told that this is what you will have to pay if you are going to choose government of such and such a quantity and quality? (And the quality will preferably be defined in terms of performance contracts—reduced payments to entrepreneurs working on public-service contracts unless by objective tests public administration reaches a certain standard of performance.) There is a conspiracy to pretend that human beings cannot have this choice in governments, but for a large number of public services in the data-processing age they soon can have this choice if they want to.

ACTING POLITICIANS

We are now governed by alternate halves of the 3 percent or so of the people who are interested in excitable adversary-game politics, plus by all of the 30 percent or so of workers who find their way onto taxpayer-financed payrolls. But for some time it has been easy to see that government of this sort would become government too much in favor of greater importance for themselves.

Most of us thought that the eventual bitter reaction against this would flood in unfairly against the official bureaucrats, as when G. K. Chesterton first fulminated against replacement of aristocracy and plutocracy by public-sector imperialism.

> We only know the last sad squires ride slowly towards the sea,
> And a new people takes the land; and still it is not we.
> They have given us into the hands of the new unhappy lords,
> Lords without anger and honour, who dare not carry their swords.
> They fight by shuffling papers.

And, said Chesterton in a phrase that sums up the welfare mismanaging State of the 20th century, "the load of their loveless pity is worse than the ancient wrongs."

Today, however, the breakdown of public confidence seems more likely to be directed against politicians. This is an unexpected consequence of television. For the first time since Pericles, democratic electors can daily see and hear in their own drawing rooms those whom they vote for. Democracy has thereby become a system of picking men with the qualities characteristic of good television or cinema actors (for example, prima donnas skilled in dissembling?) and then putting them into an adversary daily work environment that would turn a poodle into a paranoiac. They are then asked, amid power and egomania (but also amid occasional appallingly unjust slander), to spend half our money for us, until somebody hears some tape of what they have been saying to each other in private, when there arises a great clamor to put them into prison instead.

TERRIFYING DEMOCRACY

During the period when it was becoming obvious that public-sector imperialism was causing public-sector productivity to crash, the main remaining argument for voting democracy, which I have several times been guilty of citing myself, ran:

> While it is admittedly absurd to suppose that voting for Mayor Beame or Mayor Koch is the best way of picking the right quickly changing technology through which to run New York's crime prevention or its drains, and while these services will have to be recompetitioned in some way, yet the system of voting is the right way of deciding which particular man you want to be sitting at the White House to make the great decisions as between peace and war, as between hardheartedness and compassion.

During the past decade it has become suddenly clear that this system does not work.

The heads of government of the two biggest capitalist countries who won large electoral victories in the 1970s (Mr. Nixon and Mr. Tanaka) had each committed felonies that could have sent the normal man to prison. So had Mr. Nixon's vice-president. The head of the British political party who won the biggest personal swing to himself during a television election in these 1970s is at present (rightly or wrongly) on trial for alleged conspiracy and incitement to murder. The British have also in this past year been shocked to discover that, having introduced against Rhodesia a policy of sanctions that could not work, three successive British governments went on spending taxpayers' money on the Beira patrol to fool taxpayers that it was working.

Public-sector imperialism is not going to be rolled back by electing some monk to dissolve his own monasteries.

These are the politicians who were arraigned. But a gossipy press has made it clear that Presidents Johnson and Kennedy also did things while in the world's most important secular job that (if their cover-ups had not been so clever at the time) would have peremptorily disgraced them out of public life. During this decade of the 1970s every journalist knows that at least one other major head of government had a debilitating nervous breakdown, but it is not regarded as decent to say this even though while sick he could have started a nuclear war. During recent decades enormous decisions have been taken by democratically elected men now known to have been incapacitated by illness at the time (Woodrow Wilson in 1920, Chamberlain in 1940, Roosevelt at Yalta, Churchill in the middle of his last premiership, while later examples would probably still attract libel actions).

The notion has been spread that radio and television should help voters to judge their leaders better. But the first charismatic leader to rise during the radio age was the rather intelligent young German ex-soldier who in the 1920s visited Dr. Alfred Schwenninger, a Munich psychiatrist, and asked to be registered as his voluntary psychiatric patient because he (the ex-soldier) feared that he was being hit by the most frightful delusions; Dr. Schwenninger apparently told young Mr. Hitler not to worry and analyzed him as a well-balanced young man. Democracy today is a system of choosing politicians by methods of analysis less expert than Dr. Schwenninger's and giving them half our income to spend for us while putting weapons that could destroy the planet into their hands, behind conventional ideas of "loyalties" to the chief that permit ever more terrifying cover-ups.

By the end of Hitler's war the most popular foreign statesman for Britons, according to public opinion polls in that era of "Joe for King," was Mr. Stalin, who 10 years before had set about murdering his rivals, after wringing public confessions from them in open court by methods which probably included threats that he would otherwise kill under torture their infant sons. This was hidden from the British public but should have been known to those with access to the files of the British foreign office. Yet an essentially decent British foreign secretary and his officials in 1945 repatriated Russian prisoners that came into British hands.

This new tradition of loyally and secretly doing whatever is bureaucratically convenient means that (a) the decision process through "democratically elected politicians" has broken down, and (b) the reaction is about to begin against delegating so many activities to them. Fortunately, technology is anyway going to make it much more efficient not to delegate to them so much.

THE COMING REVOLUTION

An American government study has estimated that over half of America's wage dollars are going to people whose job is to sit looking thoughtful as they pass pieces of information around, and these workers are now twice as numerous as workers in manufacturing and agriculture combined. The potential productivity of workers in this largest industry is about to grow by several hundred percent, because of an information revolution far

bigger than the Industrial Revolution after James Watt discovered the steam engine. Anybody who believes that after this information revolution a voter-employed bureaucracy can continue to be the main instrument of government is being as daft as anybody who forecast in 1816 that the number of handloom weavers would continue to grow and grow.

The nature of the computer's information revolution is the exact opposite of that of the steam engine's Industrial Revolution. The steam engine made start-up costs for the individual entrepreneur larger and larger, so that today "there is no way an ordinary citizen could walk into a modern complex factory and use its facilities to construct something useful for himself."* But the data banks of tomorrow are going to be places into which every part-time enthusiast can telecommute. In all jobs connected with the use of information, start-up costs for the individual entrepreneur are going to grow smaller and smaller and smaller. It "was never thus with power shovels and punch presses."

The contributors to the information marketplace of tomorrow will have to decide how to distribute their information as between the "higher-price-pay-for-what-you-get" part of the system or the "low-price-mass-consumption" section. The consumers will early be aided by brokers who will offer proprietary indexing and search routines. But the big advance will come when a solution is found to the main search-procedure problem, analogous to that of "seeking something in the Yellow Pages without knowing what the thing is called." A solution will emerge to this through developments arising from computer-aided learning systems. From the tracks created by previous users as they browsed through the data bank, "the system can easily calculate what might be the most appropriate information to be presented to the user next."

Once there is this breakthrough, and search procedures are competitively supplied, it will be realized that the revolution in the "creation of information is quite different from the creation of automobiles. Composers of music do not work in large organizations. Today most composers are entrepreneurs in their own right. Similarly, tomorrow's significant participators in the information marketplace will be independent entrepreneurs."

It is silly to suppose that this revolution in the information industry can leave unentrepreneurialized the biggest and least-efficient part of the huge information industry—the public sector.

VARIETY IN GOVERNMENT

Take the biggest public-sector industry in rich countries now, which is education. Today most civilized people would agree with Oliver Stutchbury, who resigned as a Labour alderman on the Greater London Council and helped to start the campaign to abolish the Greater London Council:

> Nobody knows what the best way of educating the young is. There are no economies of scale or other arguments which can be validly made for requiring children all over England and Wales to conform to the same pattern. What is emphatically not needed is a central policy. What is needed is the maximum variety of different schools and institutions of learning.

Tomorrow what will be available in data banks is not just "the maximum variety of different schools" and not just open university courses picked by some bureaucrat for showing on the BBC. What will be available in data banks is a network of search procedures for fitting education to an unimaginable variety of individual learning patterns. Education ministers must be living in either Toytown or Prussia if they think they can continue to give monopolies to whatever sorts of teacher-dominated institutions best fit their political party's social prejudices.

Frightful crimes have been committed in the name of so-called public goods and services.

Mr. Stutchbury's argument is already even more true of most of the other basic public services. Nobody today knows what is the best way of bringing aid to the handicapped, curing or deterring criminals, operating personal social services, doing the real jobs of town clerks. There are no economies of scale or other arguments which can be validly made for requiring people all over England and Wales to conform to the same patterns. What is emphatically not needed is a central policy. What is needed is the maximum variety of different output-oriented initiatives, checked for results all the time, changing as the available technological opportunity changes. That is what is going to become available to quite small groups of people during the information revolution.

Localities will spring up that will offer various lifestyles based on making intelligent choices of output-oriented "public services" from among the changing varieties on offer. If central governments say that "you must not run your efficient services but must use our failing ones," the civilized people will move outside the remit of these central governments either to commercially developed communities or else to participatory communes of a sort they like.

MICKEY MOUSE FOR MAYOR

An example of local government functions run by a commercial firm is Disney World, the 43 square miles of former Florida swamp that have been turned into a tourist resort by the Disney group. A visit to the computer room that runs much of its local government operation is not at all like a visit to Camden town hall. The same monitoring by computer as checks constantly that the roller-coaster is not about to develop metal fatigue checks each moment on the functioning of Disney World's utilities, its very modern public transport systems (including monorails and people-movers), its innovatory methods of power generation, sewage treatment, and trash recycling. A remorseless hunt for greater-productivity-tomorrow infuses even the departments whose output targets are "keep the place tidy" and "prevent crime."

Disney World customers likely to be carrying food or trash are cunningly streamed past trash disposal slots that are operated so they will not be overflowing. "Security hosts," often of the high school football coach type, sometimes dressed as Goofy, congregate quickly wherever there is liable to be trouble. A large number of other Disney employees carry walkie-talkies, so as to keep in touch with the "security hosts" and with the limited number of places of egress from the tourist resort. The result is an extraordinary absence of both litter and crime from an area of 43 square miles that is visited each year by 14 million people, many of them picnickers in casual clothes with wallets full of holiday money bulging out of trouser backpockets (although the search is constant to ensure that cash is paid out only at a relatively few but tactfully guarded cash-handling points).

The productivity of local government operations is several hundred percent higher in private-sector Disney World than it is in the public-sector imperialisms. The reason is that local government in Disney is a customer-oriented, market-dependent, entrepreneurial job carried out with output targets. By contrast, in the public-sector imperialisms local government is a producer-oriented, non-

* This quotation is from Bell Canada's Gordon Thompson. Further passages in quotation marks in these next two paragraphs are also from Thompson, who is the expert in this field who writes intelligible English.

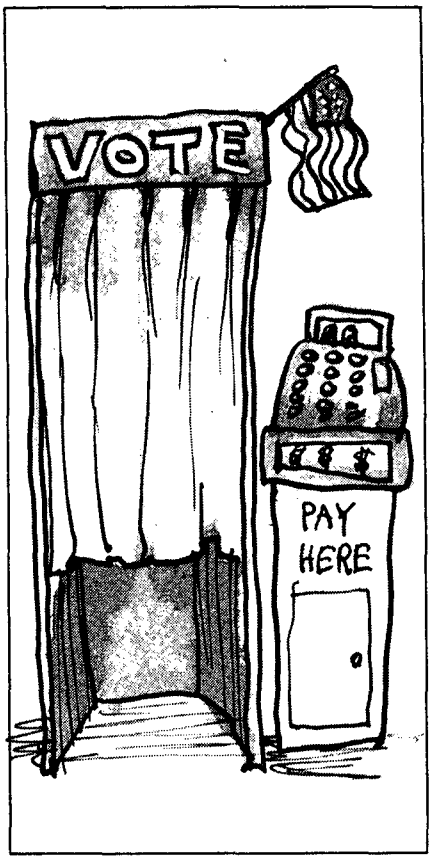
market-checked, bureaucratic job (so that there can be public-sector precincts where the marginal productivity of an extra detective is plainly nil, while the marginal productivity of an extra policeman-on-the-beat is high, but where policemen-on-the-beat continue to be promoted into becoming detectives because the latter is a nicer job). If Mickey Mouse were everywhere elected mayor on a performance contract, then local government efficiency would everywhere multiply several times over.

This is not to advocate that Mickey Mouse should everywhere be elected mayor. Many people (including me) would find him too much of a social nagger. But it does seem to me increasingly desirable that people like him should stand in competition with political parties and with other private-enterprise community developers (of which the Disney group is only one example in Florida and California) on local government ballots. The political parties should advertise that they are in pursuit of whatever political parties think they do now pursue, and the entrepreneurs should advertise that they are in pursuit of profit-making performance contracts. "We will impose property taxes at Proposition 13 levels and make a profit from them and will contract to cut taxes below that level if crime rates, waiting time for buses, named environmental unpleasantnesses, do not fall this year by 5 percent."

MAXIMUM CHOICE

As monopoly government becomes subjected to the healthy forces of competition, there will be a slow puncturing of one of the most persistent economic misconceptions that has propped up the age of public-sector imperialisms. This is the misconception that in this age of mobility there are still "externalities" attached to the provision of most so-called public goods and services (for example, the old argument that "everybody gains from the central provision of national defense and from the building of new universities, so everybody should pay collectively for them"). Frightful crimes have been committed in that misconception's name.

In Northern Ireland, everybody has not gained from the provision of national defense by the United Kingdom; a whole generation of kids has been brutalized by it (and the IRA). I once played a tiny part in helping to agitate for the establishment of a university in an area which some of us thought would gain in dignified culture and economic infrastructure from a seat of learning there; that riot-torn university later became that area's most irritating pollutant and a main reason why no sensible industrialist would start a factory anywhere near it.



Human beings will not be free until they are allowed to answer the question: How much government do you want?

The competitive information marketplace in the computer age will allow small groups of people to decide for themselves how much of such services they want, instead of having damn fool committees composed of people like me trying to think-tank such decisions for them. University learning will, anyway, be one of the earliest services to become mainly a matter of hitching oneself from anywhere into an information network, except when (as can happen) a university makes itself into a nice environment in which to live.

It will gradually become apparent that what *is* a necessary "public good," in the sense of something that must be decided collectively, is the organization of market systems so that each of us has the maximum possible intelligent choice of lifestyles. But present "political bureaucracy" and "official bureaucracy" exist largely so as to deprive us of that very choice. As Irving Kristol has said, the most intelligent members of this bureaucracy are

> basically suspicious of, and hostile to, the market precisely because the market is so vulgarly democratic—one dollar, one vote. A civilization shaped by market transactions is a civilization responsive to the common appetites, preferences, and aspirations of common people. The "new class"—intelligent, educated, energetic—has little respect for such a commonplace civilization. It wishes to see its "ideals" more effectual than the market is likely to permit them to be. And so it tries always to supersede economics by politics—an activity in which it is most competent, since it has the talents and the implicit authority to shape public opinion on all larger issues.

But the new information marketplace will make clearer to everybody how these "common appetites, preferences and aspirations of common people" can be marvelously assuaged. It will eventually be sensible to allow each volunteering group, down to a single hippie commune or private developer's estate, to contract out of as much government as it wants to (subject to its lack of government not spoiling neighbors' quality of life) and to contract up to larger organizations whatever functions can more economically be contracted up (for example, it is conventional to say that national defense and foreign affairs can most economically be contracted up to national government level, but they can probably more sensibly eventually be contracted somewhere above that).

INFLATION WILL HELP

It is not going to be easy to dash toward all this. But advantage might be taken of the movement created by another and much simpler reason why public-sector imperialism is going to break down: the reaction against inflation.

Inflation has been caused by one particular manifestation of the age of public-sector imperialism: the nationalization during the 20th century of the production of money. Before 1914 the gold standard prevented officialdom from increasing the money supply. Private profit-making banks could and did create paper credit, but the attraction of such paper money remained limited by the insecurity of the issuing banks. In consequence, in the 50 years before 1914 prices in Britain dropped by 11 percent and long-term interest rates in the same period fluctuated only between 2½ and 3½ percent.

Since 1918 governments have acquired the right to print money, and they do so whenever pressures are put on them: such

as (a) "print more money or there will be higher unemployment," or (b) "print more money or trade union demands for higher wages cannot be met, and then there will be strikes."

To many of us, it once seemed rational that governments should have the right to make such surrenders. But (a) the argument that it is sensible to allow inflation, in order to keep down unemployment, loses attraction in these 1970s as rich countries have decided that high inflation is the main reason why they must continue to allow high unemployment to stay on up; and (b) it has become clear that when trade unions feel that government will increase the money supply in order to accommodate their demands, they will make higher demands. Everybody is intelligent enough to maximize his demands according to the likelihood that those in power will give way to them. Arguments that wage demands are determined by any less logical reason (such as "intensities of feeling about unfair distribution of income") are sociological guff.

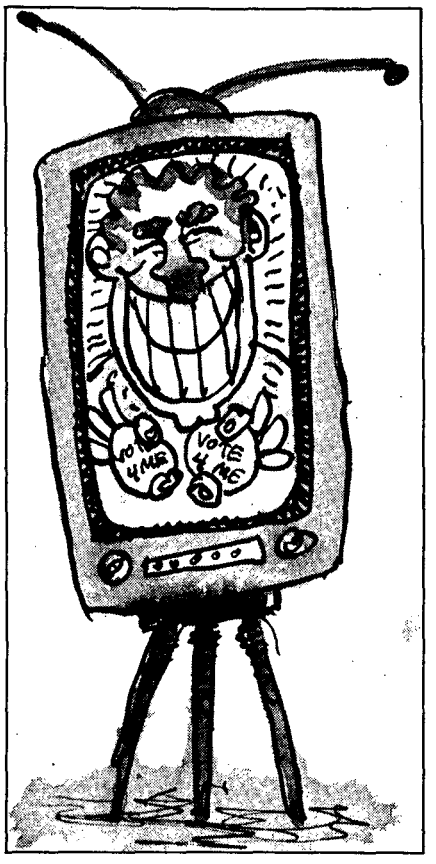
It follows that new constraints will have to be put on governments to stop them from being able to increase the money supply so freely. I am tempted at this stage to expound which constraints I think are wrong and right, but my macroeconomic prejudices are not the point here. We macroeconomists are happily becoming unimportant.

A much wider revolution is now afoot in America, where the fastest-growing economic movement is that connected with the new theory of "public choice" or "economics of politics." The London Institute of Economic Affairs has held one of the few seminars in Britain devoted to this. Some of the best sentences in the next four paragraphs are pinched from its published proceedings (*The Economics of Politics*, IEA Readings 18), although the worst ruderies about the rival post-Arrow "collective choice" school are essentially mine.

LIMITING PUBLIC CHOICE

Prof. Kenneth Arrow won a Nobel prize in economics for his efforts to discover a "social welfare function," designed to be useful in guiding the planning authority for a society—and then discovering to his surprise and chagrin that it is logically impossible for any such function to exist. You cannot by majority voting get to the best way of satisfying individual and social choices. [See "The Paradox of Voting," REASON, Apr. 1979.]

Instead of deducing from this that government had better make as few choices as possible, economists have written hundreds of papers since the publication of Arrow's "impossibility theorem," most



Democracy has become a system of picking men with the qualities characteristic of good television actors.

of them essential trivial, trying to show how governments should most nearly do what they cannot do by bullying people about by as little as they then must. The nonsense in all papers from this school favoring "collective choice" is the belief that, once they have written their equations, which nobody except others in the same school are both clever and fatuous enough to read, then political bureaucrats and official bureaucrats will hurry to govern in accordance with what their equations say. The rival school of "public choice" or "the economics of politics" has recognized that political bureaucrats and official bureaucrats will naturally work to advance their own self-interest instead.

The "public choice" professors are clearly right to say that nearly all public goods now will attract excessive public expenditure. "The excess budget is spent on some erratic combination of inefficiency and oversupply." This school of economists in the United States has played an important part in "Proposition 13" and other initiatives to cut government expenditure in America. Members like Prof. James Buchanan are determined to find ways whereby "governments can be controlled by constitutions" and there can be a "reconstruction of the political order that will channel the self-serving behavior of participants towards the common good in a manner that comes as close as possible to that described for us by Adam Smith with regard to the economic order." These are intelligent men who will work with politicians and (despite this) will have some growing effect.

COMPETITION ON THE WAY

For all of the reasons given here, the power of governments is going to be diminished. The first reason is that a reaction is now in train against public-sector imperialism. The second is that the productivity of public spending has disappeared. The third is that the system of follow-our-chosen-leader has now become a system for being led by dissembling television actors whom the system can then drive neurotic. The fourth and biggest reason is that the computer revolution is going to make all of the information industry (including bureaucracy) a field for small-scale experimental entrepreneurship instead of from-the-top-down managerial hierarchies. The fifth is that the rather small revolt against price inflation is now accidentially accelerating the larger revolt against public-sector imperialism.

It has been noted by Walter Eltis that "57 percent of industrial jobs are lost throughout North America every 10 years as a result of the closing down and contraction of factories, and the competition of new products against existing designs." In the public sector the closing of existing jobs in their present form clearly needs to be quicker than that and competition from new designs more fast and furious.

Public-sector imperialism is a device for shouting "perish such thoughts." This sanctified obstruction is not going to last long. Throughout its former domain there will be competition from new designs. Many intelligent critics expect them to come more slowly than I have been suggesting, with indirect State holdings in industry expanding for a while. But the business of government itself is near the end of its long uneconomic boom. My own guess is that, in 30 years, the ideas tentatively sketched in this survey will look too bureaucratically brainwashed. □

Norman Macrae is deputy editor of the Economist, *from which this article is reprinted, with permission.*

SURPRISING SURVEY RESULTS

LIBERTY on the HORIZON?

by Janet Smarr

IF YOU'RE WONDERING about the shape of the government in your future, some interesting clues can be gleaned from a recent study by the Center for Futures Research. Its aim was to shed light on what business-government relations might be like over the next decade (reported by James O'Toole in the *Harvard Business Review*, March-April 1979).

The Center based its study on a poll of 39 persons across several categories: executives of major corporations, editors of financial journals, union leaders, and leaders of popular environmental or consumer protection groups; economists and scholars were consulted separately, and their views were compared to those of the other groups. Each person was asked to judge four scenarios describing the implementation of "ideologies that political economists recognize as being in serious competition for the minds of Americans."

First on the list was libertarianism, described as "the most traditionally American." In a compass-point formation, libertarianism was opposed to egalitarianism, environmental-humanism to corporatism. These categories already distort the picture somewhat, for they assume that environmental humanism and libertarianism are mutually exclusive and that there may have to be trade-offs between "liberty and the quality of life."

Moreover, the two-column libertarian scenario begins with major antitrust actions to promote competition. The rest of the description, however, is largely familiar: deregulation of industry and an end to government subsidies, large cuts in the federal budget including an end to federal support for education (except for voucher and loan plans), cuts in income tax and the elimination of corporate taxes, the internalization of social costs of production, and the privatization of many public services (mail delivery, garbage collection, health insurance, pensions). The scenario also includes the extension of antitrust rules to unions, the elimination of a minimum wage, and the facilitation of private lawsuits against corporations on issues of environmental safety. More surprising to hard-core libertarians are the replacement of welfare by a negative income tax and the increase in full-disclosure laws and regulations for most corporate activities.

The four scenarios were judged for desirability rather than for likelihood, and their popularity was broken down among four groups: government officials, public-interest groups, business, and labor. Libertarianism was by far the most popular choice for the first three groups, while labor heavily preferred the egalitarian scenario (increased government controls, national planning, national health insurance, a national energy corporation, a national housing corporation, controls and tariffs on imports and exports, government approval before the use of any new technology, a public guarantee of jobs).

Grading zero for total undesirability and 100 for an ideal situation, business rated libertarianism 52.9, public-interest groups gave it 53.3, and government officials astonishingly rated it 66.1. For these three groups, libertarianism was the only scenario to score over 50. Labor, on the other hand, rated it 24.1, with a 74.1 grade for egalitarianism. When the averages were taken for a summary of all four groups, libertarianism had 51.9 out of 100, while corporatism in second place lagged more than 10 points behind; egalitarianism was on the bottom with a grade of 36.7.

(Corporatism was described as government support of the interests of the 200 largest international companies, with government promoting mergers, protecting US firms from foreign competition, and encouraging the export of American products. The scenario also has a national planning and federal banking structure for financial investments, a national pension system as a source of investment capital, voluntary codes of business ethics to replace regulations, and the right to strike being given up by the AFL-CIO in return for lifetime job security, automatic pay raises, and seats on the boards of large companies.)

Having indicated what they find desirable, the persons being polled were then asked to judge what is most likely to occur. The result was not any one of the four scenarios but rather a fifth, which can be summarily entitled "the status quo"—muddling along the present inconsistent path. It includes congressional planning goals but without the power of enforcement, a government guarantee of jobs, a national health plan, an indexed minimum wage, deregulation of some industries but increased regulation of others, and the replacement of environmental regulations by a system of charges and incentives. When rated for desirability, this scenario came in between libertarianism and corporatism with 44.9; libertarianism still had a healthy lead.

What is striking about these results is that the very people who will most influence the future business climate have desires more radical than their expectations. They favor deregulation but expect regulation to increase in some areas. They opt for privatization of public services but expect to see national health insurance and federal job guarantees. They would have the minimum wage abolished but expect it to continue. Each seems to be saying, "*I* like the libertarian ideas, but the others are probably inclined toward socialism."

If a study like this has any effect, perhaps it will be that the people who are now forging the economic future will realize that their radical ideals are in fact supported by a large part of society. So perhaps the future will be more libertarian after all. But promoters of libertarianism must also realize and tackle the problem of persuading labor that libertarianism is good for them, too.

Janet Smarr is an assistant professor of Italian language and literature at Yale University.

San Francisco's HIRED GUNS

by Christine Dorffi

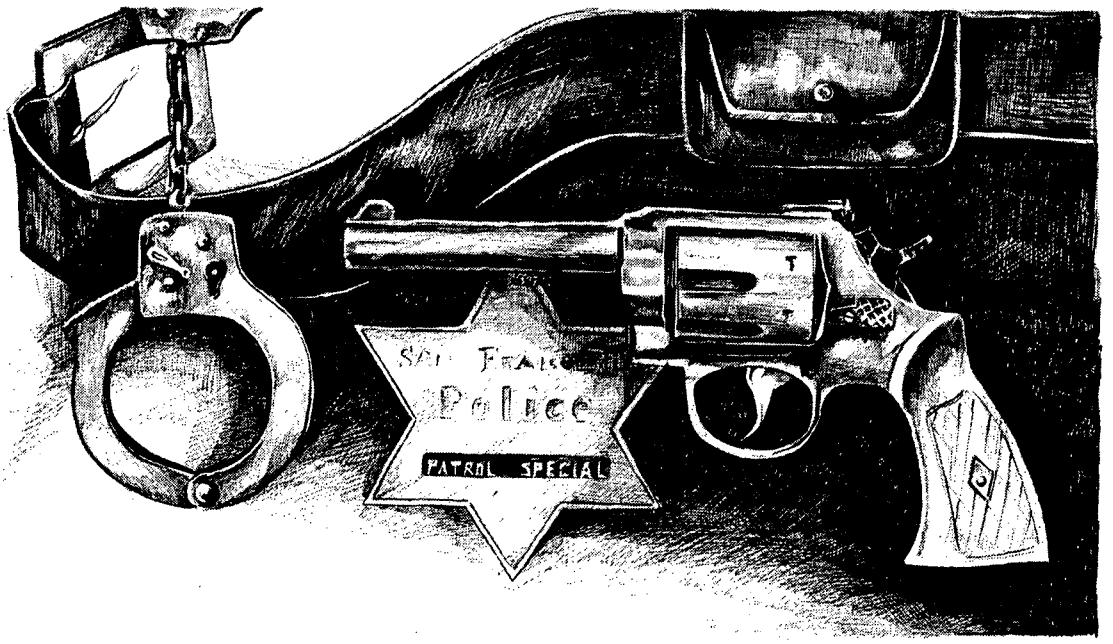


ILLUSTRATION BY VICTOR MOTTARELLA

These police have to satisfy their customers—or go out of business. San Francisco's experience shows the advantage of private policing.

THE UNIFORM THEY WEAR looks just like any other police officer's: navy blue shirt and pants, a silver badge, a leather belt with radio, nightstick, and gun attached, and the unmistakable hat. It is only on closer examination that one notices that the badge has six points instead of seven, the buttons are silver rather than gold, and the shoulder patch states clearly, "Patrol Special."

But what really sets San Francisco's unique patrol specials apart from most law enforcement agencies is that they are, in officialese, "noncompensated civil service employees." They are entrepreneurs who do not receive a single cent from the city for the patrol work they do. Instead, they are paid directly by their clients to protect property and persons on their beat.

THE POLICE BUSINESS

Government provision of law enforcement services is so taken for granted that we forget how recent the concept of *public* police protection is. In 18th-century England, the very idea of a public police was opposed vehemently on principle. Most Englishmen believed it would leave them wide open to a police state. The transition from that opposition to today's concept of protection—as somehow being necessarily a public monopoly—began with the establishment of the first public police force in the Anglo-American world, the London Metropolitan Police, in 1829. While most American colonies developed a system of night watches from about the 1630s, New York City formed the first day and night police force in America in 1945.

Meanwhile, the residents of San Francisco in the heady days of the Gold Rush era badly needed some form of protection from their less-peaceable members. Before the San Francisco Police Department was instituted, groups of private security companies did the job. Pinkerton and Wells Fargo were the best-known security forces; they handled stage coach runs,

robbery prevention and investigations, bodyguard functions, whatever needed to be done.

The geographic layout of the city made even these services inadequate, however. Merchants and homeowners hired gun-carrying lawmen to patrol their property, and soon these property divisions merged into beats. Eventually, certain people claimed ownership to beats against other claimants. The police department decided it was time to step in.

The chief of police sectioned off the city into beats and sold each to the highest bidder. Beat owners were deputized by the chief and made special police officers. Once they paid off the city for ownership of the beat, the patrol specials were on their own.

In 1899, the city charter gave responsibility for the patrol specials to the Police Commission. The commission regulates the sale of all beats (from owner to owner), the training of patrol specials and their assistants, and the prosecution of any erring patrol special.

BECOMING A SPECIAL

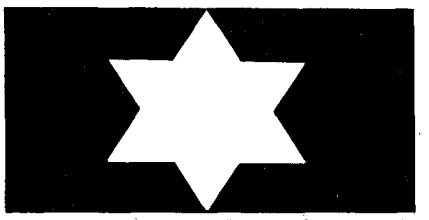
"The patrol special officer is strictly in business for himself," Officer Wassil Rolovich of the police department stresses. "The city does not receive any monies from the beats." Rolovich is the officer in charge of the patrol specials and supervises the background checks and training courses the specials undergo. "There are approximately 60 beats owned by about 30 owners"—Rolovich points out a map of San Francisco, with each beat shaded in a different color. The figures shift because an owner might decide to split up a beat or to patrol two adjoining beats. The number of assistants per beat also varies because of the different character of each section.

Beats that sold for $100 to $400 in the 1880s now go from $15,000 to $250,000—approximately 10 times the income the beat earns. Owners solicit business from the merchants and residents in their beat exclusively, usually by word of mouth but occasionally by writing letters or by leaving a business card.

Potential patrol specials undergo rigid qualifying tests. Applicants, who must be between the ages of 21 and 40 and reside within five miles of San Francisco, first have to pass a background check done by the police department. Some beat owners, such as John Candido, do an additional check on prospective assistants. "It takes about three weeks to check a person," he says grimly. "I'm accountable for my assistants. I look for family problems, bounced checks, bad finances. I don't need a guy who's got problems—I have enough problems on my beat."

Then the patrol special must take the arrest and firearms course at the police academy, a community college-funded course. It includes ethics; basic criminal law; laws of arrest, search, and seizure; self-defense; first aid; and rigorous range firearms training. Patrol specials have to requalify their shooting skills at the firing range every six months for as long as they are in business. A hefty Rules and Procedures Manual governs their work.

Uniforms and equipment are provided by the beat owners, who most often do the patrolling themselves. Sample expenses: a badge cost $17, insurance runs to about $360, regulation jacket is $80, leather belt $15, radio $2,000, pager $300, car radio another $2,000, and bullet-proof vest $250. Patrol specials also use their own vehicles for surveillance.



These entrepreneurs do not receive a single cent from the city for their patrol work.

PERSONAL SECURITY

The beat owners themselves are a diverse breed. The first Chinese beat owner explains it this way, "Every individual has his own philosophy. So does every beat owner. And all the 2,000 police officers in the department do too. My philosophy? What I promise my client is what I do," Kung Kai Chiu proudly states.

While Chiu considers his beat primarily a business and a service, John Candido is more fierce about his involvement. "I am obsessed with my work," the stocky Italian says. "If one of my customers gets hurt, it drives me out of my mind."

Linnea Grebmeier is less dramatic about her commitment, but just as proud. "We give good service," she asserts. "My husband and I own adjoining beats and take care of about 215 homes and businesses between us. Our service can consist of drive-by to constant surveillance, depending on what our client desires. The client can dictate what degree of security he wishes."

Security is the key word for the patrol specials. They see themselves as an addition to the San Francisco Police Department, acting as the more-personal security arm of the police. "We are a constant protective measure to people," Candido says. "We go into the same places every night. Like a piece of machinery that keeps coming back, sweeping up what was left behind before."

ON THE JOB

Each patrol special is assigned to one of the nine district stations in the city. He or she starts off duty by signing in at the district station and reading up on the reports and orders of the day. During the eight-hour shift, the patrol special must call in every two hours from a police-box phone to give his location.

Patrol specials, while committed only to patrolling their clients' properties, must respond to any all-points bulletin on the radio. They need not take preventive action, but they must stop any crime they see *being committed*, whether the victim is a client or not. Most specials are proud of the commendations they have received from the police department, and they all have their own horror stories to tell. Some specials aggressively go after lawbreakers; some try as much as possible not to go beyond their boundaries.

Chiu, for instance, just fired one of his assistants for being, as he put it, "a hot-shot." He shakes his head at the memory. "We pay for our own things and can't trespass except on clients' property, where we have permission. We use our own vehicles and don't get paid to chase cars," he argues. "I want somebody to just do the job, that's it." Being liable does make for caution, as does the fact that beat owners pay for their assistants' compensation and insurance. Chiu also points out that time spent on extra police matters takes him or his assistant away from the patrol, which clients may not appreciate.

When they detect a crime being committed, patrol specials take charge until a regular policeman arrives. If a regular is not available, they function as the regular and book the suspect. Grebmeier says one of her main problems is the drunks who sleep on the sidewalks in her beat, and she is constantly asking them to move on. Like the other patrol specials, she will watch any suspicious-looking persons until they move on.

Most patrols last from 8:30 or 9:00 P.M. to 4:30 or 5:00 A.M. But depending on the agreement between the client and the special, this can change to 24-hour service, to a one-time drive-by, or to a foot patrol of the grounds six times a night. Specials can also give month-end reports, can act as bodyguards or additional security at parties—especially those given by consulates—and will even rotate house lights and pick up mail when a client goes on vacation.

The cost of the service ranges from about $30 a month for residential homes to anywhere near $500 for apartment complexes and businesses. "It isn't as lucrative as people think," Candido claims. "Lots of old-timers don't really make much. Those who do are the owners of, for instance, Westlake and Stonestown (shopping centers). They might take in $200,000 a year and net $40,000 after paying for assistants, equipment, uniforms."

GOOD SERVICE

Patrol specials are particularly proud of their quick response time. "I can be at a client's house in three to five minutes," Candido says. "My response time is easy to maintain because I don't have as many people to answer to as the car in my area does." Specials are equipped with paging systems for emergencies while they are on patrol, and they try to be available any time during the day for special requests.

"Most people forget your time span," Chiu explains. "I am the first person they think of, so I try to help. I don't charge for overtime—I consider it a public service." Candido recounts the time a client called, frantically saying someone was trying to axe him. Candido suggested he call the police, but his client was too hysterical, "So I went over in my T-shirt and brought my gun. Fortunately, the guy with the axe was gone by the time I got there."

The patrol can be a hair-raising experience. Some specials own beats that are pretty rough, and most of them patrol alone. "I work out at the gym several hours a day, especially since I'm a small man," Candido illustrates. "The gun is the most useless piece of material we have. The ability to cope with all kinds of people is our best asset, as well as being able to sniff out the troublemakers." Candido also owns an awesome Doberman. He takes the dog along when he sees a broken window or open door, to go through the building with him and sniff out the intruder.

Specials patrol the same beat night after night. They get a feel for the area, a sense of when something's not quite right, and a knowledge of the people who live and work there.

They are also very careful because of the responsibility. Beat owners can be charged formally and brought before the Police Commission. "If one of our guys does something wrong, we come down on him like a sack of hot sand," Candido states flatly. "Before the chief of police can get to us, *we* get to us."

And Chiu, with the shrewdness of the entrepreneur, mentions what is perhaps the best thing about the patrol specials: "With the city police, if you're dissatisfied with their service, all you can do is complain. Patrol specials? You can *fire* us." Ah, yes—the beautiful simplicity of the free market.

THE MARKET AT WORK

San Francisco's patrol specials provide ample evidence that protection can be

John Candido

John Candido reminds you of those heroes in a Western: he talks rough and acts rough and sees himself as the protector of the good. The colorful president of the Patrol Special Police Officers Association has been in the private law enforcement business for 26 years now. He originally wanted to become a regular police officer but couldn't make the height requirement at the time. "Now," he says, "they have guys up to here," he gestures at his chin.

"I have one of the roughest beats," he announces. "Burglars, pimps, prostitutes, drug addicts—you name it, I got it. I always kiss my wife (we've been married for 23 years) before I leave because, who knows, I might not come back. Lots of people think our work is like a Hollywood movie," he grimaces, "when sometimes I take a bath three times a night!"

"You have to really like people to be able to cope with the classical variation you meet here," he points his stick down the length of the neon-lit street. "You have to be streetwise, learn to talk their language." He goes into one of his accounts, a rather shabby hotel. There are drunks lying on the stairs, and he picks up a bottle of wine and tosses it into the garbage. "Hey, I told you no drinking in here." The drunk mumbles and gets up. The doors to the rooms are scratched and kicked in; most have padlocks installed by the guests. Candido stops off in the communal kitchen and notices an electric burner glowing. "See, this is the type of thing I look out for, it could have

Linnea Grebmeier

Linnea Grebmeier first learned to shoot when she started dating her present husband seven years ago. Her only previous police experience was clerical work with the San Mateo, California, and Michigan police departments. Today, she is the owner of a primarily residential beat adjoining her husband's in a plush section of San Francisco, and she wears the gun faithfully.

"You have to be a pretty sterling character before you can buy a beat," she admonishes us ruefully. She enjoys her work—although the night hours are hard for this day person—and has four assistants on duty between the hours of 8:30 P.M. and 6:00 A.M., seven nights a week.

She is trying to build up her list of clients and says that it changes constantly because of people who move or pass away or people who request service only when they go on vacation. "A lot of consulates and other people call us when they have a party," Grebmeier notes. "We check the homes of new clients, too, for proper locks, lighting and security, and recommend some if needed."

"The client may want his or her home patrolled ten times a night, with six of those a complete foot patrol of the premises," she says. "We'll do what our client desires. A client can page us if he observes anything suspicious, and we respond immediately. And if I got enough requests for daytime service, I'd do it."

"When I first bought the beat, there weren't that many clients. So I'd go door to door, every night, Saturdays and Sundays, soliciting." Grebmeier and her husband now have about 215 clients between them, so the work has paid off. Special services, such as escorting someone from the airport or taking deposits to the bank, are easily arranged with the Grebmeiers.

Grebmeier has learned to enjoy shooting as a sport. "But I hope I never have to kill anyone," she mutters as she displays her bullet-proof vest, which she religiously wears every time she goes on patrol.

"We work arm-in-arm with the police department," she says, "and our major goal, at all times, is the safety and peace of mind of our clients, only, and their property."

caused a fire." He turns the burner off and yells a goodnight to the manager as he leaves. Candido says he stops in at most of his clients' places every night just to let them know he's around. He has over a hundred clients on his beat, mostly large apartment complexes, hotels, and restaurants.

"When I see a broken window," he says, "I report it to the police station and stay put until the regulars get in. If the property belongs to my client, I stay or put a man there all night long."

"I don't let people sell narcotics on my beat," he adds. "It takes me at least six months to clean most places out. If I let the street get dirty, I'll lose my customers. Sometimes, the hotels want someone kicked out, but they don't want them arrested. So they call me, and I go up and ask them to leave."

Candido says he was influential 25 years ago in making patrol specials go through the police academy training course. He has about five assistants (most beat owners share assistants, depending on the work load) but works most nights.

"I love street action," he states as he maneuvers his car around a hill. "I like going into tough places, because it's a challenge. I wouldn't enjoy an easy beat. In fact," he nods, "I'm looking for a harder beat, maybe the Tenderloin." Candido predicts that private security will become an ever-bigger business in the next 10 years. One thing is certain—he'll be right in the middle of the action.

viewed as merely another commodity, like food or shelter, to be bought and sold in the marketplace. For a long time the gospel according to economists has been that certain goods—protection and law enforcement prime candidates among them—can only be provided adequately by a public monopoly. But there's plenty that's *un*economic about that arrangement.

Private police protection allows its clients to choose specific services as best fits their needs. The public system, presuming that people's preferences are uniform, provides uniform service. As the San Francisco experience shows, some people prefer more frequent patrol, some are content with once-a-night service, and so on, in endless variety. The clients of private police can thriftily assign their employees to concentrate their time and effort on the services they find are most necessary.

Since private police cater to a multiplicity of needs, they eventually develop specialized expertise that public police cannot hope to obtain. For example, the existing railway police—privately recruited, trained, and paid—spend all their time preventing crime on the railroad and are therefore intimate with the symptoms and systems of railway crime. Public officers do such a variety of jobs, over large areas of cities that they do not get the more intimate "feel" for an area that the private police do.

Another advantage of private police service is the time factor. As it is today, we all pay for 24-hour public police protection. Most of us don't *need* 24-hour protection. With private police, citizens can hire their law enforcers only during peak hours when crimes are most likely to occur. Kalamazoo, Michigan, for 15 years beginning in 1955, hired a private protection agency, Charles Service, Inc., to patrol the streets and control traffic. The private police were paid by the hour and were used only during peak periods, such as high-traffic hours. The arrangement was later declared illegal, as William Wooldridge states in *Uncle Sam the Monopoly Man,* because "the judge who administered the coup de grace was offended that anyone should make a profit out of law enforcement, and apparently did not consider it relevant that a profit-making company might do the job more cheaply than a non-profit-making sheriff."

As the public monopoly on police protection expands, more money is spent on management and paperwork than on actual protection services. Ostrom and Parks analyzed data from the President's

(*Continued on p. 33.*)

Kung Kai Chiu
Kung Ming Chiu

The Chiu brothers arrived here in the United States from Hong Kong in 1962. Kai dates his interest in law enforcement to his school days in Hong Kong. "I had 7 years of ROTC in school. And back in Hong Kong, all of my teachers were from the military. The military also served as the police in the old days." He studied civil engineering at Berkeley and is now a professional engineer, as is his brother, Kung Ming Chiu.

Ming served as a reserve deputy sheriff in Alameda while he was doing highway engineering for the county and was moved to Hayward because he was the only Chinese-speaking officer they had. Kai also took the reserve officers' training course in 1972, and on June 1, 1977, he bought the beat he and his brother now patrol.

"When we started, we had only ten small ($10-$20) accounts. The previous owner had owned the beat for 17 years and had let it slide. He retired making $600-$700 a month," Kai explains. "When we started to get new accounts, there were misunderstandings. How can policemen take money? people asked. So we told them to call the police department and get our credentials, and they did. Now we have about 40 accounts, equally split between residential and business."

"People aren't used to seeing minorities as police officers," Ming shrugs. "We have to prove ourselves, especially since we are small in build."

"Like the store last week," Kai reminds his brother. "I saw four guys last week bothering the owner of a store, so I went in and arrested the boys. The store wasn't our client, but the owner signed up the next day. Some try our services for 'a while,'" Kai adds, "but they always end up signing up."

The Chius are particularly proud of a leather store that became an account of theirs several months ago. They haven't had a single robbery since then. "It's the degree of security you want," Kai declares. "People say, 'No, I don't need to sign up, I have insurance, I have burglar alarms.' But we can do something a machine can't do. Machines don't have arms and legs to run after people."

When asked about the danger, Kai smiles. "We can't be scared. When you're in the middle of it all, you're very calm. All your senses are concentrated on watching those guys—four guys mean eight hands—and you're professionally trained to think of that. Afterwards," he grins, "then you get scared. You start thinking of what might have happened."

INFORMATION LIBERATION

By Michael E. Anzis

Incredible advances in computer and communications technology will open up new dimensions for personal freedom.

On a typical early morning in the year 1995 you arise eagerly to begin the day's activities. From your window comes the sound and the scent of the crashing surf, and it commands a view of miles of coastline. Your home is located atop a bluff on California's still sparsely populated Mendocino coast, far in time and space, it seems, from the noisy, crowded, polluted city.

Have you retired into this delightful new life? Inherited a large sum of money? Dropped out to pursue a simpler life? None of these. For you are still an executive in a large national company, still active in community affairs, still pursuing various hobbies, still socially engaged, and still able to enjoy the best in food, entertainment, and so on. The reason for the unusual and delightful turn of events is the technology around you—specifically, communications and information technology that, even in 1979, had begun to transform familiar lifestyles.

After breakfast you place a strange-looking phonograph record on a machine and watch instructions on your television for using a new analytical technique for your job. When it's over, you place another record on the machine and call your child in. She begins to watch an instructional program in English literature, complete with dramatizations of Shakespeare starring Lawrence Olivier and a tour through Stratford-on-Avon and the old Globe Theatre.

You proceed to another room in your home that is an office and sit down in front of another television-like screen that has a keyboard in front of it. You pick up the telephone, dial, and place the receiver down. On the screen appears your boss's face, live and in color. You have a discussion about business matters, during which you are able to display various printed and graphed pieces of information. Your work then continues at home during the morning. You are able to dictate and correct letters through your telephone, have face-to-face conversations with other colleagues, view a speech delivered the night before by the president of your company, and have your department's quarterly budget printed and on your boss's desk before lunch.

Later, you listen to and read on your screen mail that includes various voice and printed messages from all over the world. You also receive printed on a small device a facsimile of a signed, notarized document.

That afternoon your daughter, using a screen and keyboard similar to yours, takes an examination on the English literature material she watched previously. The exam is graded and the material she missed shown back to her on her screen as soon as the exam is over.

Finishing your work, you use your Visa card to dial into your bank account, and in approximately five minutes you accomplish the following:

- *Pay for the examination your daughter took that afternoon.*
- *Transfer 100 ounces of gold from your local to your Swiss bank account.*
- *Pay your monthly Sears charge account bill.*
- *Make your monthly mortgage payment.*
- *Credit your daughter's weekly allowance.*

The screen also shows you what your resulting bank balance is and, at your request, quotes the day's closing currency and commodity rates.

That evening, after a run on the beach and a swim, you participate in a community homeowners' association meeting while sitting at home before your television screen. You then watch a ballgame that was played that afternoon while you were working.

THE LIFESTYLE FANTASIZED above could exist in 15 years, and it may not even require that the libertarian revolution succeed by then. For those of us who believe that the ever-growing scourge of lumbering government bureaucracy is the ultimate guarantee of our descent into a dark age, there is ample room for genuine optimism. This technology is moving so rapidly and with such success that it is likely the "lumbering scourge" is never going to know what hit it, much less be able to keep up.

PROMISING TECHNOLOGY

Information technology refers primarily to computers and communications. Advances in computers since their inception around World War II have been astounding. These advances can be expressed in terms of faster processing, increasing data storage, decreased power consumption, and decreased space requirements, all at less expense.

Using IBM large-scale computers as an example, the graph on page 32 shows that the ratio of processing capability to dollar of rental has increased almost 500 times since 1952. You can get almost 500 times the computing capability for the same dollar today on an IBM 3033 machine as you could in 1952 on an IBM 650. Also, that amount of memory requires about one-twentieth the space it would have in 1952*. The cost of a unit of solid-state computer power has declined an average of 35 percent per year since 1970 alone. John Opel, president of IBM, stated at the company's 1978 annual shareholders' meeting that IBM currently has on its order backlog more computer power than it has previously shipped in its entire history.

The immediate future for computers shows no less promise. Research is currently in the prototype stage on laser, bubble, and holographic memories and advancing rapidly in areas such as cryogenics (low-temperature technology). Robert Noyce, chairman of the Intel Corportion, sees "increased functional complexity [in large-scale computers] by a factor of over 2,000 during the next fifteen years."

In electronic communications, technological advancements of the same magnitude have taken place. One example is fiber-optic communications, where, using a laser source, a medium (such as a glass cable) can transmit hundreds of times more information than the same-size medium using current copper-wire technology. Dr. Philip Abelson, editor of *Science* magazine, writes that "this activity is leading to an era in which the electron, long the workhorse of the electronics revolution, will be supplanted by the even greater potential of the photon."

The technology is indeed dazzling. And a look at some of its applications will allow you to visualize more clearly the fantasy life described earlier.

VIDEO REVOLUTION

The technology is now available to produce a vinyl disk, like a long-playing phonograph record, capable of carrying a standard television signal and to produce a relatively inexpensive (about $600) device to view this through an ordinary TV set. The MCA Corporation (which owns Universal Studies, Universal Pictures, etc.) and Phillips, the Dutch elec-

* Technology rolls along despite authors who delay in submitting articles. As of February 1979 IBM has introduced the first models of a new line of computers which use an advanced technology and surpass the price/performance of the 3000 series.

tronic company, have already begun to market such a device. And RCA has also announced its own competing version of the "video-disk."

One video-disk will contain an hour's show, or about 100,000 images. This is equivalent to about 4 billion characters (letters or numbers) of information, or roughly 6,000 books, or 50,000 computer programs, or hundreds of hours of quadraphonic music. (Initially, video disks are being sold containing old television shows and movies; however, they would also be capable of carrying screen images of printed material.)

Video tape recorders have been on the market now for several years. The first was Sony's Betamax, and there is now another technology available. These machines cost in the neighborhood of $1,000 and allow you to tape a show off the air for later viewing. Old movies and TV shows are also available.

The implications of video tapes and disks are far-reaching. The industry estimates that two million players and recorders will be in homes by 1980. This could revolutionize the television industry, making broadcasting itself unnecessary except for live coverage of news and sports events. Certainly it will open up a whole new area of home entertainment, especially coupled with the perfection of large-screen TV viewing.

The consulting firm of Arthur D. Little estimates that movie theaters will be obsolete by 1985. When concerts, stage shows, art exhibits, etc., are available on video-disks and tapes, and a distribution system including retail outlets, mail order services, and loan libraries exists, people may be much less likely to undertake the necessary travel to see live entertainment. (Even today, professional sports have felt the effect of TV coverage on their gate receipts. The National Football League's "blackout" rule is a response to that problem.)

EXPANDING HORIZONS

Consider also that most existing human knowledge could be contained in a box of these video-disks, and what that might mean to book-loaning libraries and to education in general. Educational material could come on video-disks in a mixed format of reading matter and live action, as could newspapers and magazines. For those who are worried about saving the trees from the paper industry, this foreshadows a potentially drastic reduction in the need for paper.

Video recording will also reduce the need for travel and its associated energy resources. It will allow people enormous flexibility in where they live by offering greater access to education, information, and entertainment.

A growing body of opinion holds that the main cause of the sameness and mediocrity of today's television programming is the stultifying regulation by the FCC. Video-disks or tapes would not necessarily be immune from government regulation. As noted by David Levy, however, in his article on video-disks in REASON (Jan. 1977), "the regulatory restraint on a communications medium that differs only in technical detail from a phonograph record presumably will be minimal, since regulation of phonograph records is almost nonexistent." It would seem that video recording is about to make a large part of the "lumbering scourge" irrelevant.

Another area open to major technological innovation over the next few years is message delivery. Messages can be divided into three categories with regard to electronic transmission:

- Transmission that is not concerned with the format of the message and can use a video screen or a teletype.
- "Facsimile transmission" that communicates an exact copy of something like a document or a signature.
- Electronic funds transfer (EFT), which refers to transmission of any type of financial information—such as payment of bills, consumer charges, and checks—and which accounts for over 70 percent of all first-class mail.

BESTING THE POST OFFICE

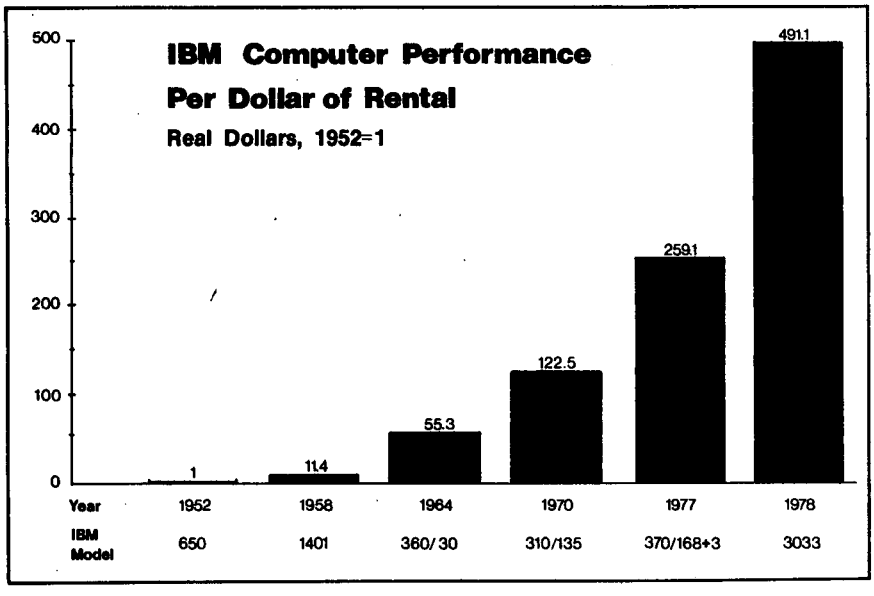
No one has to be reminded how efficiently the government runs the Postal Service. Since World War II, we have seen the cost of less and less service on a first-class letter go from 2 cents to 5 cents to 10 cents to 13 cents and now to 15 cents, and they are also proposing cutting back service to five days a week. For the first time in a hundred years there are again challenges in the courts to the federal government's first-class postal monopoly.

In 1976, a congressional commission, having undertaken a six-month study of the postal service, concluded that its future might be bleak unless they joined at once with private enterprise to use electronic communications for mail. At the same time a National Academy of Sciences panel observed: "Time is running out for the Postal Service. While it delays its entry into electronic message services, developments by private firms are sure to proceed, possibly foreclosing any opportunity... to move into the field in any meaningful way." A George Washington University study has concluded that by 1982 privately run electronic systems will be well ahead of any possible postal service system.

The USPS is currently spending less than one-fifth of one percent of its annual budget on research and development. The following rather startling comment by Postmaster General Frank Bailar appeared in the May 10, 1977, *Wall Street Journal*: "I don't see any reason why the government ought to be in a business which private industry is willing and able to take care of."

Electronic communications developments mean the traditional Postal Service is going to have less volume and be less important. (Postal Union leader James La Penta sees "a conspiracy to turn the mails back to private enterprise.")

Whatever the Postal Service does will probably be irrelevant. It is likely that we will all soon be the beneficiaries of privately supplied and vastly improved electronic message services, rather than our current "hopelessly outmoded system of people walking around with bags of processed wood pulp covered with black marks."



ELECTRONIC PRIVACY

Electronic funds transfer generally refers to the electronic transmission of data relating to financial transactions. Today you can see various aspects of EFT—for example, in teller machines that are remote from bank branches, systems that wire funds between banks, and department store cash registers that automatically debit your charge account when you make a purchase.

The predictions for EFT are that, someday, terminals connected to a central computer at your bank will automatically deposit your paycheck, transfer funds from your account to the accounts of those from whom you obtain goods and services, and (probably) also deduct your taxes. Technology has made this concept feasible for many years. In 1974, IBM and the Bank of America collaborated with a number of merchants and employers in Columbus, Ohio, to run a pilot test of such a system. Personal Bankamericards were used as the trigger for all transactions.

Well, any red-blooded libertarian probably cringes in horror at the prospect EFT presents for snooping and control by the "lumbering scourge." Consider also, however, the opportunity this technology offers for circumventing government control through private economic systems. The proliferation of trade clubs and other stateless economic systems certainly demonstrates people's penchant for this approach. The major problem now is administering the massive amount of paperwork these systems generate. Modern data-processing technology offers the solution to this problem and to the problem of privacy.

The science of cryptology (secret codes) has developed techniques today for protecting storage and transmission of data with codes that are literally unbreakable. This means that, conceivably, networks of users generating financial transactions could be totally protected from government snooping and intervention. Such private systems could become the way that more and more Americans simply avoid participating in the depression/inflation economy. In the worst circumstances, private economic systems using EFT could also become the vehicle for recovery from an ultimate economic collapse.

SMALL IS EFFICIENT

A recent study at the University of Southern California proposed small regional offices using computers and communications for a large Los Angeles-based insurance company instead of their current large central office building. After studying the various alternatives, it was found most economically feasible to disperse the company into 18 offices with 25-30 persons in each, spread throughout southern California. The factors considered included the time and cost of commuting downtown, telephone expenses, and costs incurred by customers for personal visits.

"Distributed data processing" is probably the hottest concept in the data-processing industry today. It refers to distributing data storage and processing capability away from large central sites to the end user. The proliferation of this approach could have a more far-reaching effect on work habits and therefore on lifestyles of the future than any of the other technological developments mentioned so far.

The data communications industry, a $250 million industry in 1968, was estimated by *Datamation* magazine to have been $7.1 billion in 1978. Texas Instruments currently has one computer terminal for every 20 employees and has plans for a terminal for every 10. And according to the previously mentioned study by Arthur D. Little, "Our current rate of technological advance makes it almost certain that it will be economically feasible to install electronic terminals in essentially all residences and places of business in the US as early as the late 1980s."

Consider the implications of armies of clerks working in or near their homes, using only a fraction of the amount of energy, paper, and other resources they currently consume. This could include most of the people who work in banks, insurance companies, distribution industries, credit organizations, law firms, accounting firms, writing and publishing companies, and many others. Consider the potential reduction of the problems of urban planning, transportation, energy consumption, forest conservation, and the vastly increased freedom of individual choice of where to live.

With the reduced need for urbanization flowing from vastly superior communications, small self-contained communities would be much more likely to flourish. The political implications of this could be more local control, more isolation from centralized bureaucracy, a greater social sense of community, and consequently improved human relationships and a greater concentration on the values of individualism.

Technology is certainly no guarantee of freedom, particularly if the current cultural trends toward totalitarianism continue. It is, however, becoming a powerful force away from bureaucratic control. It is presenting solutions to the increasingly complex problems of our society, which previously were only excuses for more government control. It offers potential methods for avoiding creeping totalitarianism and could, in fact, be the road to recovery in the event of total economic collapse.

Most importantly, it offers a glimpse of the vast richness of possible lifestyles of the future. It must surely stimulate child-like wonder and joyful expectation in all of us.

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Dorffi

(Continued from p. 29.)

Commission on Law Enforcement and the Adminstration of Justice and found that "when multiplicity was measured by the number of police departments per 100,000 population, the evidence strongly supported the...conclusion: the more jurisdictions per 100,000 population, the lower are the per capita expenditures for police services." And, asked about the quality of police services, citizens in smaller jurisdictions gave higher ratings than those in centralized jurisdictions.

Another interesting analysis by Bish and Ostrom showed that higher professionalism reduced rather than enhanced police performance in comparison to less-professional, service-oriented police departments. Bureaucracies, such as that created by a centralized and monopolistic public police, do not reward innovation and cost cutting and fail to foster a feeling of responsibility toward the clients, the citizens, who pay the taxes that support them.

With private police, the client is all-important. As patrol special Chiu says, "You can *fire* us." And that makes for good protection. It seems only logical, doesn't it?

Christine Dorffi is a San Francisco-based free-lance writer. She has in the past worked for several magazines.

THE MOON RACE COVER-UP

Ten years ago Apollo 11 landed on the moon. Did the US really beat the Soviets, or was the moon race just a NASA hype?

By James Oberg

IT IS ALMOST A TRUISM that the world's winners write the history books and the surviving losers if any, write querulous letters to the editor. In wars, political campaigns, missionary crusades, purges, races, and all sorts of other competition, the story has been the same.

But for one of the biggest races on earth or off it, the loser's version of history seems to have prevailed this time. Only 10 years after one side's triumph, the other side has scored a major ex post facto neutralization of that victory.

The race was to the moon. The racers were America and the Soviet Union. The losers were many: only one contender made it to the moon; many citizens would rather not have seen their hard-earned dollars and rubles spent on the moon venture; and some people—the biggest losers?—prefer accurate history.

On Christmas Eve 1968, three American astronauts circled the moon in the Apollo-8 spaceship. After another lunar scouting mission the following May, the Apollo-11 flight then carried out the first actual manned landing on another world. Five more landings (and one cliff-hanging near-disaster) were made in the next three years.

The Apollo-8 astronauts had celebrated their achievement with a poem modeled on "The Night before Christmas." An astronaut on earth read the parody to the men a quarter of a million miles away: "'Twas the night before Christmas, and way out in space, The Apollo Eight crew had just won the moon race...."

But had there ever been a race?

The USSR, which had opened the frantic "space race" with a rapid-fire series of surprise "space spectaculars" a dozen years earlier, never seemed unequivocally committed to the "man-to-the-moon" race against Apollo, despite repeated strident cries from NASA during budget hearings that "the Russians will beat us to the moon." Many Western observers were motivated to believe that Moscow had decided to drop out of this phase of the space sweepstakes: liberal observers opposed Apollo as a wasteful use of resources, which without the whipped-up "moon race" hysteria could never have been diverted from social programs; conservatives were convinced that Soviet engineers are congenitally incapable of creating sophisticated moon ships but were pouring rubles into near-earth space weapons that Apollo did nothing to counteract; most leading space scientists were opposed to the tremendous extra costs of manned versus automated space missions, especially those that promised unique contributions to their own specialties.

After the initial Apollo successes in 1969, Moscow spokesmen were quick to aver that "the Soviet Union has never intended to send men to the moon" (else surely it would have beaten Apollo). The true Soviet lunar program, these sources claimed, was based on the exclusive use of automatic robot probes that were cheaper, more flexible, and could be launched "without risk to human life." Less-polite remarks were made in native-language broadcasts from Radio Moscow to Latin America, Africa, and Asia; this line stressed the excessive costs of Apollo, resulting in "the fanatical squandering of wealth looted from the oppressed peoples of the developing world."

Some skeptics dismissed this as a "sour grapes" rationalization of Russia's defeat or as a face-saving excuse for losing a race Moscow had promised to win. But most observers accepted these Soviet declarations at face value.

Five years after the first Apollo moon landing, CBS ran a special TV report in which news correspondent Walter Cronkite intoned, "It turned out that the Russians were never in the race at all." A few weeks later, *Parade* magazine was asked about the "wasted money" of Apollo, since "we've learned that the Russians never even came close technologically to putting a man on the moon." Replied editor Walter Scott, "Whether putting Americans on the Moon was a waste of money is of course arguable. That our intelligence of the Soviet space technology was faulty is not."

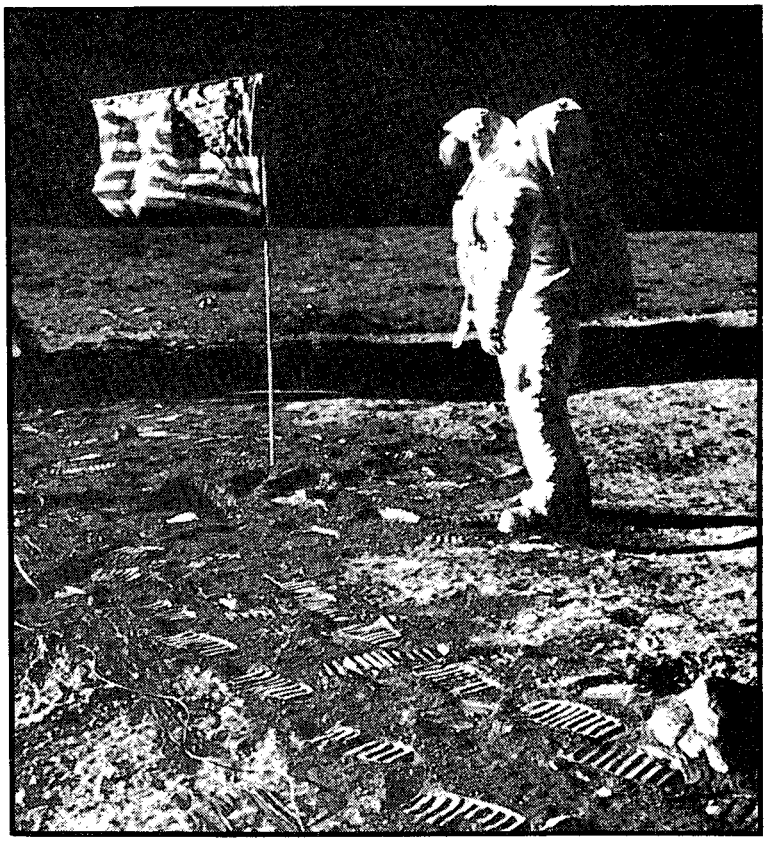
Books on Apollo generally praised the program while echoing the theme advanced by the science editor of the *Saturday Review* as early as 1963, that "there never was a race to the moon, because the Russians wouldn't race." The authors of *Journey to Tranquility* (Doubleday, 1969) claimed to reveal the "startling fact" that "by 1963 it had become clear that the Russians had little immediate interest in the Moon and that the race for space did not, in fact, exist."

Later revelations by a defecting Russian science writer fueled these claims. The London *Sunday Times* wrote in 1971: "It became obvious long before the Americans landed on the moon that they were winning the space race hands down....There was never the remotest chance that the Russians would get to the moon first." A headline in the *Daily Mail* crowed, "BIG MOON RACE WAS ALL BLUFF," and correspondent Angus MacPherson reported, "There never was a race to the moon, a Russian scientist claims today." London's *Guardian* quoted the Russian as saying that "Russia knew a long time ago that she cannot build a moon rocket" but downplayed the significance of that assertion: "This is an argument which tilts at a shadow for, five years ago, some Western observers were arguing that the 'moon race' was a myth....This has turned out to be the case."

This opinion seems to be unanimous across political and ideological spectrums, at least in print. Even the Soviets endorsed it.

For a handful of serious Western students of the secretive Soviet space program, there remained enigmatic loose

ends. Besides the earlier public and private statements of Soviet space officials up to 1968, there were various bits and pieces of evidence: a test-flown Soviet moonship that was capable of carrying a pilot but never did; an ocean-going radio tracking fleet capable of communicating with cosmonauts in moonships; persistent and coherent rumors of a large Soviet space booster that failed at least three times in test flights; unexplained space tests of Soviet craft, whose purpose could not be fathomed but which were very similar to US unmanned tests that preceded the Apollo moon flights. These loose ends seemed to fit one pattern, although observers were still in the difficult position of having to assemble a jigsaw puzzle—with some pieces missing and pieces from different puzzles thrown in too.



The bottom line, in hindsight, is that Moscow *did* make determined efforts to develop the capability to send a Russian cosmonaut around the moon, before Apollo's expected flight date of mid-1969. Precious resources in manpower, money, and material were poured into this effort, which could have been a coup de grâce to the American space program, bedeviled as it was by technical problems, haunted by the memory of three dead astronauts, and confused by the uncertain direction of the incoming Nixon administration.

And beyond the relatively simple manned flight "around the moon," there is highly suggestive but somewhat less certain evidence that a Soviet man-*on*-the-moon program was more than just an idle pipe dream. Many of the same elements that characterized preparations for the Apollo moon landings also showed up in the Soviet program; they seemed (and still seem) useless for any other purpose but for a manned lunar landing.

The promises and boasts made by Soviet spokesman at the height of the moon race, when Moscow still expected to win, are strongly supported not only by the hardware evidence but by cosmonauts' statements. Pavel Belyayev commented on the moon race in 1965: "We are not idle. We shall see who will be first." Vladimir Komarov was quoted in 1966 as saying, "I can positively state that the Soviet Union will not be beaten by the United States in the race for a human being to go to the moon.... The US has a timetable of 1969 + X, but our timetable is 1969 + X - 1!" Aleksey Leonov wrote in 1965: "Man will visit [the moon] in the nearest future. I dream of this being accomplished by men of our detachment. If I am very lucky, I will get the assignment." Gherman Titov write: "As for myself, I dream of flying around the moon.... Cosmonauts have a good chance of getting a close view of the moon." Yuri Gagarin and other cosmonauts repeated these vows; there was no ambiguity.

Nikita Khrushchev referred to his man-to-the-moon project in his memoirs when he paid homage to Sergey Korolev, head of the Soviet space program, whose unexpected death in 1966 at age 59 crippled their program for five crucial years. "I'm only sorry," Khrushchev recalled, "that we didn't manage to send a man to the moon during Korolev's lifetime."

Had Korolev, whose health had been ruined in Stalin's slave labor camps in the 1930s and '40s, lived another two years, he might have been able to see the moon project through to a successful conclusion. But his own drive and judgment had not been passed on to his subordinates, who were unequal to the technological problems they were to face alone. The very first manned space flight after his death ended in disaster, with an ambitious two-ship link-up and double spacewalk aborted and one cosmonaut crew dead.

Korolev's man-to-the-moon plans evidently hinged on two versions of a manned spaceship called the Soyuz (modernized versions are still the mainstay of the Soviet manned space program). The three-man version called for an Apollo-like "command module" for the crew, with a rocket-equipped "service module" behind it and a unique spherical "orbital module" in front. A stripped-down one-man version with a thicker heat shield but without the forward orbital module was designed for the first moon flights.

This six-ton moonship was in the final stages of preparation for flight testing when Korolev suddenly died. He had evidently hoped to make unmanned test flights late in 1966, leading to unmanned circumlunar shake-down cruises in the first half of 1967, followed by a series of manned round-the-moon expeditions in time to celebrate the 50th anniversary of the Bolshevik Revolution in November of that year.

The actual schedule reflected the absence of Korolev's genius. Initial flight tests in 1967 were plagued by serious spacecraft and booster problems, and it was not until September 1968 that a successful unmanned round-the-moon sortie was carried out. The robot-controlled command module splashed down in the Indian Ocean near a waiting recovery ship. Two months later, a second robot flight made a much gentler and more sophisticated "double dip" reentry followed by a soft landing inside Russia.

The belief was widespread that this spaceship, which made its flights under the cover name "Zond," was designed for manned moon shots. Soviet spokesmen, including a writer in the Soviet *Encyclopedia of Space Flight* (Moscow, 1969), explicitly asserted that the Zond spacecraft actually was designed to carry a pilot.

Drawings of the vehicle, released years later, showed it to be practically identical in shape to the manned Soyuz (whose operations are restricted to low orbits within 200 miles of the earth). Analysis of photos of the Zond transport canisters on board Soviet recovery ships shows that they are the same size as the Soyuz's. A

strange photo released from Moscow press archives evidently shows a Zond command module being ground-tested with a launch escape tower, a safety measure traditionally reserved exclusively for manned spacecraft. The Soyuz-Zond command module is specifically designed to carry life-support supplies for a one-

A Soviet man-on-the-moon program was more than just an idle pipe dream.

man six-day flight, the exact duration of a lunar circumnavigation (additional supplies for near-earth Soyuz flights with larger crews are stashed in the orbital module).

ZOND VS. APOLLO

This Zond spaceship, then, provided the capability to send Russians to the moon and back with reasonable safety. Public statements, and Khrushchev's memoirs, have already shown such a desire on the part of some officials. Actual *intentions*, of course, can never be independently documented, but there is one piece of data that may provide the capstone of proof: the private, not-for-publication, man-to-man discussions between Soviet and American space personnel, particularly cosmonauts and astronauts.

Most provocative is the report from Michael Collins and David Scott, two American space pilots who met Russian cosmonaut Pavel Belyayev at the Paris Air Show in 1968. While touring a Soviet aircraft, with only the three spacemen and an interpreter present, the conversation turned to each man's future space plans. "We found that Belyayev himself expected to make a circumlunar flight in the not-too-distant future," Collins later wrote in his own memoirs. Scott independently confirmed Belyayev's claim.

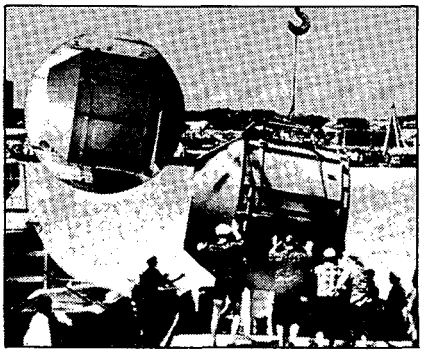
Before the end of that year, Collins was removed from the Apollo-8 crew for medical reasons and was rotated onto the Apollo-11 crew. Scott made two Apollo flights, including a moon landing.

Nobody knows why the Soviets did not follow up their November 10 launch of "Zond-6" with a manned shot on "Zond-7" during their next "lunar launch window" on December 9, 1968. Perhaps unspecified minor technical problems had cropped up. Perhaps Soviet space officials believed that the December 21, 1968, launch date for Apollo-8 was unrealistic, that they had several more months of opportunities because of anticipated American launch delays. Reports reaching the West years later claimed that a Zond and its pilot (presumably Belyayev) had been readied for the pre-Apollo moonshot but that the launch had been "scrubbed" at the last moment.

So it never happened. Apollo-8 did succeed, along with Apollo-9 (lunar module test in earth orbit, February) and Apollo-10 (lunar module test in moon orbit, May) and ultimately Apollo-11 (the first manned moon landing, July 20, 1969). Two more unmanned Zond moon sorties were made, but they carried only instruments and cameras.

Belyayev himself died within a year at the age of 44, reportedly the victim of peritonitis induced by a severe bleeding ulcer. The other cosmonauts stopped talking about going to the moon. Nobody has recorded what they were dreaming about.

The history of that period could be quite different. The risks of the Apollo-8 flight were the greatest of any American manned space flight before or since. Sixteen months later, a totally unexpected explosion in the Apollo-13 spaceship crippled the command module and would have led to tragedy but for the supplies installed in the attached lunar module. There had been no such backup for Apollo-8; a similar failure could well have

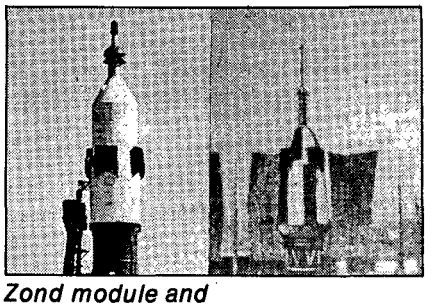


Zond transport canister on board recovery ship

killed the three spacemen. With them might have died the Apollo program, especially if the Soviet man-to-the-moon shot had taken place contemporaneously and successfully. In the real history of 1969, the Nixon administration endorsed NASA's Apollo effort (co-opting Kennedy's dream) and canceled the Air Force "Manned Orbiting Laboratory" space station; slightly different circumstances might instead have seen the Air Force space program expanded while the manned lunar shots were eliminated, leaving the moon to the Soviets.

ON-THE-MOON EVIDENCE

And the Soviets might have made the most of it, had Korolev lived or had his successors proved worthy of him. There is substantial evidence that cosmonauts



Zond module and launch escape tower

were also preparing to land on the moon, with every intention of being there ahead of the Americans. The man-on-the-moon evidence is not so overwhelmingly clear-cut as is the man-to-the-moon evidence, but it is impressive. This evidence comes from several areas: particular cosmonaut training programs useful for (and only for) a moon landing; an attempt to develop a large booster far bigger than any needed (even today) for low earth orbit or lunar orbit flight; unique space orbital rendezvous procedures that are useless except in connection with a moon flight of a large rocket assembled in near-earth orbit; secret space tests of man-related hardware having the capacity to support man-on-the-moon expeditions.

Astronaut Michael Collins correctly perceived the significance of cosmonaut training activity in progress during 1967 and 1968, in which the Soviets practiced helicopter landings. In the American program, such activities were devoted solely to preparing for lunar module touchdowns. Neither program had training time to waste, so the cosmonauts would not have been flying helicopters for recreation. Noted Collins, "If the Russians weren't interested in a manned lunar landing, if—as they subsequently said—they were not racing us to the moon, then why were they training cosmonauts to fly helicopters?" That is still, 10 years later, an excellent question.

The Soviet super booster, equal in lifting power to the American Saturn-V moon rocket, also seems to have been more than a NASA public-relations ploy at

budget hearings. In 1976 a CIA briefing official for the first time publicly confirmed the persistent rumors that several such boosters had been destroyed during test flights between 1969 and 1972, after which the program was canceled and the giant launch facilities mothballed.

The key point to be considered is that such a rocket booster would have been far too large for any other space mission: it was needed neither for Skylab-like space stations nor for man-around-the-moon fly-by flights, both of which employed the medium-sized "Proton" vehicle. The existence of the giant Soviet rocket is testimony to the existence of Soviet ambitions beyond those two lesser goals—and a man-on-the-moon capability is the only rational possibility.

RENDEZVOUS FACTS

American astronauts used the lunar-orbit-rendezvous strategy for landing on the moon; this called for the "mother ship" to remain in orbit above the moon

Cosmonauts have a mysterious way of disappearing from official Soviet photos.

while a special lunar module made the landing and subsequent ascent back into space where it would have to chase after and link up with the mother ship. This saved weight while introducing some technical complexities.

Soviet moon-bound cosmonauts would probably have used a combination of this technique and earth-orbit-rendezvous, in which sections of the lunar spaceship are assembled in space near the earth prior to launch toward the moon. This scenario is based on Soviet statements (pre-Apollo!), engineering extrapolations, and the actual flight plans of some Soviet spaceships during the years 1967-69.

These tests involved the critical functions of rendezvous and docking, maneuvers crucial to advanced space operations. In departures from the lunar surface or in visits to near-earth space stations, an actively guided chase vehicle is launched in pursuit of an already-orbiting target. But the Russians did it backwards: on four occasions they launched the "active" chase spacecraft *first* and the passive target vehicle a day later; link-ups were made within one hour of target launch. This technique makes no sense in the light of later Soviet announcements and achievements (it was abandoned forever in 1969); but it does make good sense from the perspective of earth-orbit-rendezvous for the assembly of a man-on-the-moon spaceship. There is no other known explanation.

Explanations are also absent for four or five other mystery satellites, launched unmanned between 1967 and 1971, which went through automatic orbital maneuvers very similar to those used to check out the American lunar module in 1968 and 1969. The Soviet flights fit into a scheme involving a Soviet man-on-the-moon spaceship; they do not fit any other theory, which is why they have been generally ignored.

This postulated Soviet man-on-the-moon project seems to have been going full steam into mid-1969, with the earliest possible cosmonaut moon walk projected for 1971-72. Evidently the Soviets expected major delays in the Apollo program from some combination of technological, economic, and political problems. These delays, anticipated as well by many Western observers, did not materialize.

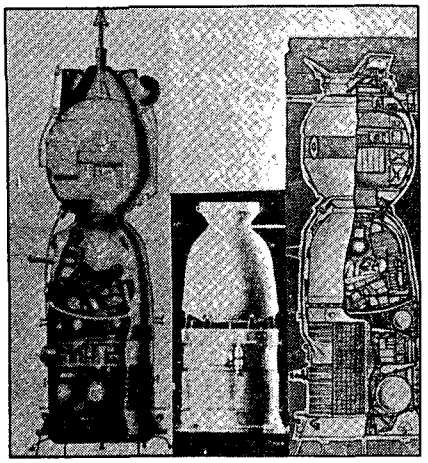
The June 1969 loss of their first super booster, contrasted with the July landing of Apollo-11, spelled defeat for this project. Hardware "in the pipeline" was allowed to continue. Indeed, some observers suggest that the man-on-the-moon project was revitalized early in 1970 following the Apollo-13 near-disaster and the expectation of an indefinite suspension of follow-on moon flights.

WHO LEARNED WHAT

The most curious aspect of this Soviet "moon cover-up" is the unusual unanimity of Western commentators of the left and the right. Moscow's desire to rewrite old space history—once it lost the ability to write new space history—is understandable. Knowledge of the existence of their man-to-the-moon and man-on-the-moon programs would have been a glaring advertisement of inferiority in an arena in which they had long boasted of their inevitable preeminence. Rather than face propaganda bankruptcy, the Soviets tried to lie their way out of this impasse.

But the eagerness with which this no-

moon-race claim was accepted in the West is still remarkable, since most observers generally regard Soviet official assertions with deservedly measured skepticism. Whether by accident or crafty design, this particular Soviet claim reinforced prevailing prejudices all across the

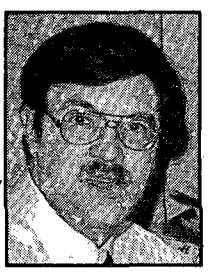


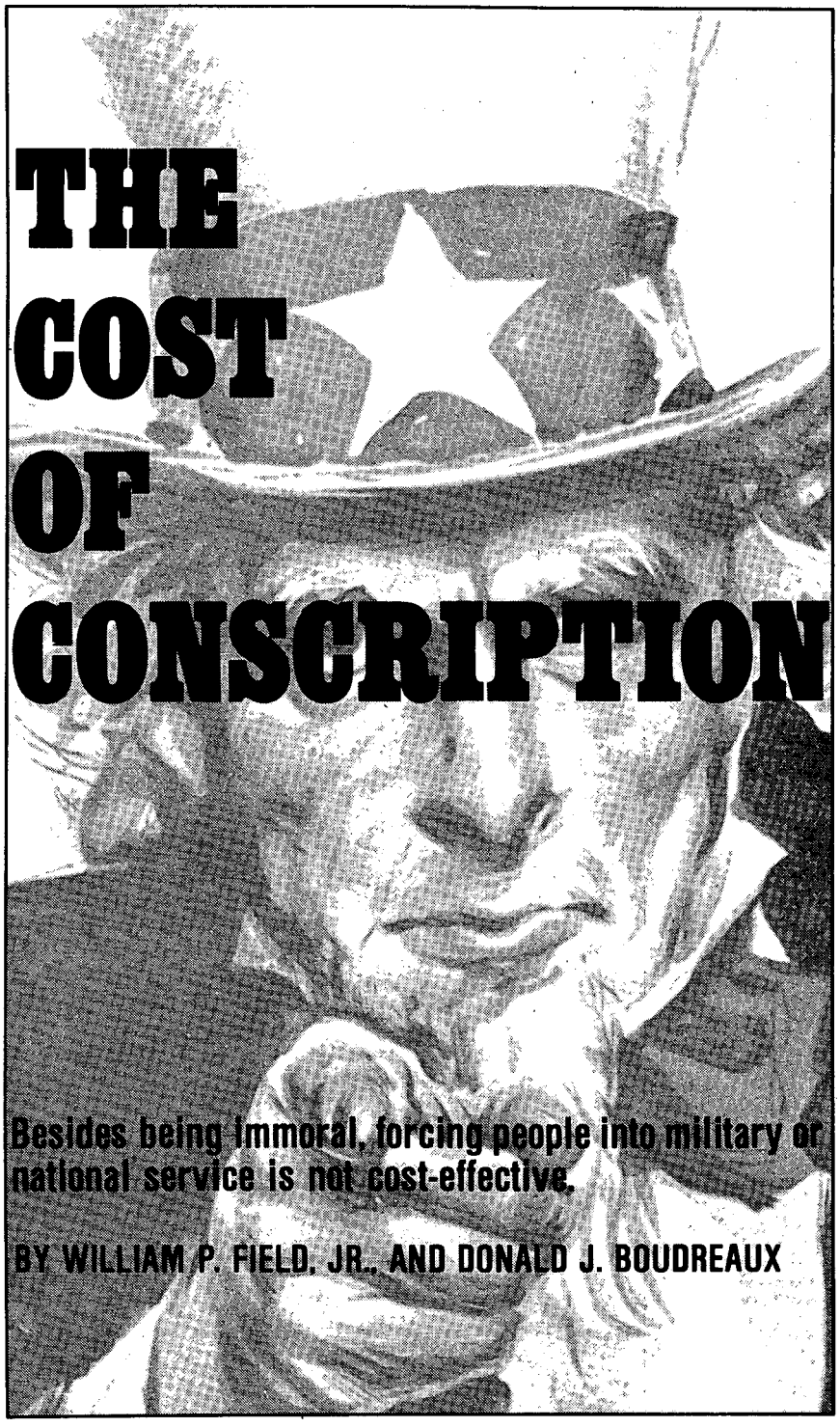
Zond/Soyuz comparison

ideological spectrum. The left gained support for oft-expressed complaints about the uselessness of the Apollo expenditures, and the right found confirmation of beliefs that the Soviets are too backwards to compete with American know-how. The result was the political neutralization of the Apollo program—a disservice to history—and the opportunity for disarmingly comfortable criticism of the moon program: for both left and right, it was simply a matter of government spending on the wrong thing.

In the end, the Soviet determination to send men to the moon in competition with Apollo seems established: they tried to develop the capability, and they nearly succeeded. They failed because their technological and management skills were not adequate to the task. If the reach for the moon exceeded their grasp in 1969, they at least learned the correct lessons and applied themselves to their space homework, leading to their successes today. The West, meanwhile, has been left with the wrong lessons—and we helped write them ourselves.

James Oberg is a space specialist in Houston working on the space shuttle program. He is widely published on space astronomy and in 1975 received the National Space Club's Robert Goddard History Essay Award for his work on the history of the moon race.





THE COST OF CONSCRIPTION

Besides being immoral, forcing people into military or national service is not cost-effective.

BY WILLIAM P. FIELD, JR., AND DONALD J. BOUDREAUX

THERE IS a great deal of disquieting talk in the United States these days about reverting to conscription of the nation's youth. This conscription is to be used not only to fill the military ranks but also, under the dubious title of "national service," to fill federal government jobs or jobs designated as desirable by the federal government.

Libertarians thought the battle against conscription had been won, but statists almost never give up on any possibility for increasing their power. Today, an alliance of conservatives (who want the military draft) and liberals (who want mandatory national service) has created a very real possibility that a proposal combining both could obtain the congressional votes necessary for passage.

Obviously, such a proposal is even more repulsive and immoral (if degrees of immorality are possible) than a proposal for a military draft alone. The technical skills of a philosopher are clearly not necessary in order to reject it on purely moral grounds. Our purpose here, however, is not to restate the moral arguments against this draft-national service proposal but rather to explain the economic fallacies involved. Even these provide ample reason for opposition to the proposal.

NO MONEY MAGIC

Those wishing to reinstitute the draft (mostly conservatives) mainly emphasize the enormous and exploding costs of military manpower. They argue that these costs make it much more difficult for the United States to finance all its needs for military hardware and technology. This difficulty, in turn, makes it more likely that the United States will eventually fall behind the Soviet Union in both areas. Obviously, with a draft, wage rates for military personnel could be lowered and outlays for manpower reduced. This is what conservatives mean by their claim that use of the draft would lower defense costs. Thus, they conclude that "the military problem" could be solved, or at least substantially alleviated, by a return to military conscription.

This argument seems to have a kind of superficial validity, but it falls apart completely when subjected to economic analysis. Contrary to the claim of the conservatives, the reinstitution of the draft would not result in the true cost of military personnel being magically lowered from the cost of the present all-volunteer force. The true economic cost of having an individual in the military is not the wage he is paid but rather the goods and services he could have produced in the private economy—the opportunity cost, as it is called by economists.

The wage rate an individual earns in the private economy is a minimum indication of his productivity there. No businessman who expects to continue in operation can afford to pay a worker more than the value of his output. With an all-volunteer army, individuals must be paid at least what they could have earned in the private economy to induce them to volunteer. Thus, the taxpayer has to pay the true cost of having these individuals in the military.

The result of the use of the draft to obtain military personnel would be that the economic burden of the military, rather than being *reduced*, would simply be *shifted* from the general taxpayer onto the shoulders of the conscripted individuals. A tax break would be given to civilians at the expense of the draftees, who would pay a tax in the form of forgone wages and benefits. Obviously, this would reduce the size of the reported military budget, but it

would not reduce the cost of the military to the society as a whole.

But the situation is actually much worse than this. The true economic cost to society of armed forces obtained through conscription would inevitably be much greater than the cost of an all-volunteer force, for at least two reasons.

GREATER COSTS

First, under an all-volunteer system, individuals with the poorest alternatives (the lowest opportunity cost) tend to be the ones who volunteer. Thus, the nation obtains military manpower at the least cost in sacrificed private output. With a draft, individuals would be forced by a set of arbitrary rules to join the military. Many of these individuals would have very high opportunity costs (some would have particular skills, either latent or already developed, in athletics, art, business, science, etc.). Consequently, the cost of obtaining the same amount of military personnel, in terms of lost private-sector output, would inevitably be much higher.

Another factor that would increase economic costs of the military if a draft were used to obtain personnel is the misuse of resources that would occur within the military. Since under a draft the explicit cost of manpower would be artificially lowered, those officers making decisions about how various tasks should be performed would think of manpower as a relatively cheap resource. This would lead to the overuse of manpower relative to machinery, as draftees would be used to perform all sorts of menial tasks. Consequently, more draftees would be needed, each costing the private economy much more than his military pay and each suffering the loss in the form of reduced wages.

The same argument can be extended to the decisionmaking process concerning appropriate battlefield techniques. Military commanders must choose among an almost infinite number of possible combinations of planes, tanks, ships, other equipment, and manpower. Inevitably, if the cost of one of these items is held down artificially, military decisionmakers will tend to overuse that item. Thus, with a draft, all planning for potential wars would tend to involve an overuse of manpower, and in an actual war inflated casualties would result. Notice that we are not assigning evil motives to anyone but rather simply pointing out that relative prices inevitably affect decisions.

In short, then, the draft, far from reducing the true economic cost of military operations, would only serve to substantially inflate that cost while imposing large, inequitable burdens on the unfortunate draftees. Those who wish to reinstitute the draft will find no support for their argument in economic analysis.

Turning now to the "national service" aspect of the current proposal (that portion appealing to liberals), we find that it is even more disastrous in economic terms than is the draft aspect. The implied assumption of the "national service" proposal is that every individual should have to do something for other Americans during at least some short period of his life and that only those individuals who work for the federal government or in jobs designated as desirable by the federal government do anything of benefit to their fellow citizens.

SERVICE FALLACIES

Those who accept this argument are obviously blind to the process that enabled the great wealth of the United States today to be created—the free market. They are obviously blind to the beneficial social effects of voluntary individual actions. Their argument implies that individuals working on a farm, in a factory, in a fast-food restaurant, or in any other form of private employment are performing no services of value to their fellow citizens.

As totally fallacious as that argument obviously is, think of the other side of it for a minute. According to the advocates of "national service," if we take millions of young Americans and force them to become federal government employees or to accept those jobs designated for them by the federal government, they are somehow to become highly productive individuals providing huge benefits to their fellow Americans. After all, if the Department of Energy just had another 20,000 employees, especially 18- to 24-year-olds with high school diplomas, just think how much more efficient it would be and what benefits it could offer Americans!

The economic fallacies here are so obvious that the temptation is to simply ridicule the proposal. Unfortunately and unbelievably, many politicians and citizens are taking the proposal quite seriously. Thus, it is essential that the economic arguments against compulsory national service be spelled out clearly.

THE EFFICIENT HAND

These arguments all revolve around the central point that the "invisible hand" of the free market is a more efficient allocator of resources than the "visible hand" of government. This one conclusion stands out unmistakably in even the most cursory study of economics. Whether you approach economics from theoretical, historical, or empirical perspectives, it is impossible to reach any conclusion but that the market almost always works and government planning almost never works. Different approaches to economics may involve different methods of reaching it, but the conclusion is crystal-clear. And why is the "invisible hand" superior to the "visible hand"?

First, as so eloquently explained time after time over the last 50 years by F. A. Hayek, there is no way for government planners to obtain all the information necessary to run the entire economy. The government cannot come close to gathering and analyzing all the relevant specific knowledge needed to enable it to act as an efficient allocator of human resources. With respect to compulsory national ser-

"HOW SWEET! A HOUSEPLANT AND A 'HAPPY MOTHER'S DAY' CARD FROM OUR CONGRESSMAN..."

vice, it would be impossible for government to figure out the most productive use of millions of young people, especially since they would all differ in skills and interests.

Second, even if the information problem *could* be solved, James Buchanan and other economists of the "public choice" school have pointed out that it is out of touch with reality to think that government decisionmakers are even concerned with taking whatever actions will most benefit all individuals in the United States. Those involved in government decisionmaking—whether they are politicians, bureaucrats, or special-interest groups—act in their own self-interest just as individuals in the private economy do. The traditional distinction between a selfish private sector and a selfless public sector is totally fallacious.

Decisions about what to do with all these "national service" workers would be made on the basis of the self-interest of the decisionmakers. Politicians would want the workers used in such a way as to maximize the number of votes they could obtain from the services provided. Bureaucrats would want the workers used to increase the size and power of their particular agencies. Special-interest groups would want their own pet projects carried out. How could anyone believe that such a struggle for advantage could end up making efficient use of national service workers?

Other arguments could be marshaled against the "visible hand." We could look at past experience with programs creating government jobs and how they tend to become simply make-work projects. We could talk about how difficult it is to get rid of such programs once they are established, even if they were originally supposed to be temporary in nature. We could talk about specific cases of failure of the "visible hand" such as the postal service, public schools, urban renewal, and zoning. But surely the two arguments already discussed in some detail are sufficient to explain why government planning is inherently inefficient and "national service" would inevitably be disastrous.

The economic fallacies of the national service proposal are so obvious that the temptation is to simply ridicule it.

There is only one conclusion to be drawn from economic analysis—any form of conscription is economically unwarranted and undesirable. The economic effects that necessarily accompany the use of conscription, whether for military manpower or national service, are undeniably harmful, rather than beneficial. The economic evidence is overwhelming—individual choice is much more efficient than government compulsion.

Of course, those who advocate conscription do not draw only from economics. Arguments based on morality and patriotism also appeal to many Americans. Economic arguments can be used to clear up some of the misunderstandings that make conscription seem attractive, but clearly the moral arguments must be attacked directly. The basic immorality of force and the absurdity of the idea that patriotism can be encouraged by the use of conscription must be emphasized again and again. In this case as in others, libertarians must continually restate the central point that individual liberty not only yields the most efficient economic results but also is the only truly moral system. ☐

William Field is an associate professor of economics at Nicholls State University in Lousiana; Donald Boudreaux, an undergraduate economics major at Nicholls.

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Quebec: The Economics of Separatism

viewpoint

Alan Reynolds

Canada's new prime minister, Joe Clark, has little support among French Canadians, perhaps increasing the possibility that Quebec will separate from Canada (with the western provinces likely to follow). My own favorite strategy is to decentralize national government and then privatize local government, so I am naturally sympathetic to Quebec's complaints against increasing federal intrusion. It is likewise reasonable for Quebec to doubt the wisdom of federal policies that have converted the Canadian dollar into a soft currency and pushed both inflation and unemployment toward double digits. But there nonetheless seem to be elements of insularity and scapegoating in the separatist movement that need to be rooted out.

Considerable attention has been lavished on the language problem in Quebec and on the supposedly related flight of people, business, and wealth. What is often missing from popular discussions of the issue, however, is an analysis of the economic aspects of separatist complaints and the probable economic consequences if the Quebec separatists actually achieved their objectives.

A survey undertaken for the *Toronto Star* a couple of years ago showed that most Quebec citizens felt that they had not received their share of the province's wealth because of confederation and English-speaking control of Quebec business. The *Star* concluded that "the issue of separation has economics at its roots."

One measure of the economic basis of separatism is per capita personal income, which is 11 percent higher in Ontario than in Quebec. Another measure is the proportion of households earning more than $15,000—which in 1974 was 38 percent in Ontario, 27 percent in Quebec. Moreover, the higher-income positions within Quebec itself tend to be held by the English-speaking minority (13 percent of Quebec's population).

The high representation of English-speaking businessmen is presumably related to the fact that foreign investment accounted for at least 40 percent ownership of 97 percent of Canadian manufacturing assets in 1973 and to the fact that 86 percent of foreign long-term investment in Canada was from the United States and Britain. Such massive foreign investment was doubtless essential to the rapid economic expansion throughout Canada, including Montreal; but its highly visible link with a minority language in Quebec could be expected to provoke some resentment.

A central link between separatism and French-Canadian feelings that they are the victims of cultural discrimination is the issue of whether Quebec is a net gainer or loser from the flow of federal taxes and spending. A survey of the relevant evidence by the C. D. Howe Research Institute of Montreal found no evidence that federal payments or benefits received by Quebec in the 1960s exceeded the amount the Quebec taxpayers paid to the federal government. More recent studies, however, according to the Howe study, do "indicate a definite trend for Quebec to derive increasing benefits from federal budgets—a trend that has accelerated since the 1973 oil crisis and the substantial federal subsidies that arose from it."

The federal subsidy for Quebec's oil imports, largely financed by a tax on oil exports, is now being phased out along with oil price controls. So the "increasing benefits" that Quebec briefly derived from that program will soon be gone. There are, however, more benefits from confederation than regional redistribution of federal funds, which is clearly a zero-sum game.

Discussions of the economic viability of a separate Quebec typically skip lightly over the real issues. In *Canada without Quebec*, John D. Harbron merely points out that Quebec covers a lot of land and is "an important source of natural resources and energy." But Quebec's standard of living cannot be maintained through land and raw materials alone. Mining, forestry, and electric power together accounted for only 11.6 percent of the value added by goods-producing industries in Quebec in 1974; manufacturing and construction accounted for 83.8 percent.

Far from being a "source of energy," an independent Quebec would be among the most energy-dependent nations on the globe, producing virtually no oil, gas, coal, or uranium. Quebec's hydroelectric power supplies only 18 percent of the province's energy consumption and is estimated to supply only 25 percent by 1985 (after the $16 billion James Bay Project is completed). Quebec industry, which once had unique access to cheap imported oil under federal law, also uses significantly more energy relative to value added than does the rest of Canada.

Quebec, like any developed economy, must attract and retain capital and skilled labor. Minerals in the ground are not enough to ensure prosperity. The province's heavy dependence on foreign capital means that Quebec simply cannot afford the luxury of harsh restrictions on foreign investment. Threats of nationalization are likewise apt to provoke capital flight.

Individual incentives are also important. Quebec had been losing productive people long before the new regime came into power. From 1966 to 1971, Ontario had a net immigration of 369,164, while Quebec lost 41,808 people from migration. In recent years, Ontario's population has grown more than twice as fast as Quebec's.

A major explanation for Quebec's relative failure to attract and hold workers is that Quebec has the highest rate of personal taxation in Canada, more than twice as high as in Ontario (and 26 percent higher for all types of taxes). Quebec has the only progressive income tax in Canada that is not adjusted for inflation, so that the effect of inflation in pushing people into higher brackets creates an increasingly strong incentive to live and work in other provinces. The highest tax rate is 68.9 percent in Quebec, 61.9 percent in Ontario. Quebec also has the highest minimum wage rate ($3.15 an hour) in North America, making its low-wage industries less competitive and aggravating

the province's chronic high unemployment (7.4 percent from 1970 to 1976, compared with 6.1 percent in Ontario). If the predictable consequences of such regional disincentives are instead blamed on Ottawa or cultural discrimination, constructive corrective measures may not be taken.

A central question regarding the economic viability of an independent Quebec concerns its customs, trade, and monetary ties to Canada. The separatist slogan of "sovereign association" is not particularly illuminating, since any form of association (such as confederation) obviously requires some surrender of sovereignty. The separatists sometimes claim that separation would allow them to tailor monetary and trade policy to provincial needs, while at other times they suggest that the province's economic ties to Canada would remain virtually unchanged.

Some 40 percent of Quebec's production is sold elsewhere, mostly to the rest of Canada. So the question how to combine political separation with economic union is crucial to provincial living standards.

Rodrique Tremblay, Quebec's minister of industry and commerce, has suggested a Quebec-United States common market (which would violate the US policy of nondiscriminatory trade relations), much larger US imports of aluminum and other Quebec products that are also made in the States, plus substantial US aid and support of a Quebec dollar. The evident implausibility of such a scenario is compounded by Quebec's new law requiring the use of the French language in business. It is not the rest of Canada that makes the use of English necessary; it is the United States. English is the universal language of business—as essential to world commerce as the US dollar. Quebec's language requirement is the equivalent of an import tax on English-speaking managerial and professional skills.

Quebec has a genuine problem with higher unemployment and lower incomes than in Ontario, although provincial tax and minimum wage policies must bear a large share of the responsibility. Moreover, the province's powerful economic ties to the rest of the continent necessarily preclude an insular policy toward trade, outside investment, and the international language of business. Failure to recognize this interdependence is perhaps a greater threat to Quebec's economic health than is separatism itself. ◼

money

Money and Freedom

According to "Austrian" economics, government, compared to the market, is inevitably an inferior supplier of any good or service. Competition will produce more goods more efficiently and more closely in line with consumers' wants than will any other organization of production.

Some economists, such as Murray Rothbard, apply this principle even to the supply of justice, protection, and defense. But all economists, whatever their school ("Austrian" or Keynesian or Chicago), have made an exception for the supply of money, assuming it to be a monopoly. Yet if the free market is best, don't these tenets of free-market economics apply:
—that private enterprise will supply money more efficiently (and more honestly) than any government, and,
—that competition among *different currencies* would result in a much better quality money (or monies) than now exists?

Hitherto, the main libertarian position on the question of money has been that *gold* is better money than paper. In an anarcho-capitalist society gold would *naturally*—indeed, *automatically and inevitably*—become the money of a free society, while under a limited government gold would be the money of the realm. Whichever way you look at it, money would be gold via a natural or State monopoly.

Historically, the last 200 years of paper money is an aberration. Gold, and sometimes silver, became money because, in the words of Ludwig von Mises, it was *the most marketable* (that is, liquid) *good.* Government—as soon as government came on the scene—monopolized the issue of money, whether gold or paper, because the monopoly of money provided the most easily obtained and "painless" source of revenue.

When the printing press was invented, money was already a government monopoly of long standing. The explosion of technology since the Industrial Revolution has merely served to *refine* and *extend* that monopoly. Instead of being limited to "clipping" coins—watering down the gold or silver content of official money—improved technology has enabled governments to first print paper, then change numbers in a computer memory.

Prior to the invention of the banknote, there was no practical alternative to gold as money. Given the technological revolution, how can we be sure that in a completely free market, where different suppliers of money would compete for public favor, gold would win? If the government monopoly of money were abolished—after *thousands of years* of control—who can say what would happen, and what kind of money would emerge in the end?

Achieving that abolition could be the most important step toward a free society. The monopoly of money stands at the base of all government power. Remove that monopoly, let the market issue currency, and not only must the government live entirely within its means, as it can no longer print or devalue the money, but it has the additional problem of deciding *which* currency to use for tax determination. Anyone who has been involved with companies that trade internationally knows that a multicurrency situation allows a lot of creative, tax-minimizing accounting. When every individual in the market can utilize the creative tools hitherto reserved for multinationals, whither the government's tax receipts?

The more immediate question, of course, is, What would such a competitive-currency world look like? Would it—could it—work? Fortunately, two economists have addressed these questions over the past two years: Nobel laureate F. A. Hayek and Jerome F. Smith.

To my mind, Hayek's *Denationalisation of Money* (London: Institute of Economic Affairs) is significant primarily for the questions he raises (I find his answers unsatisfying) and for the fact that Hayek, at 77, chose to open a Pandora's box for economic theory. Hayek's initial proposal is that "the countries of the common market... mutually bind themselves by formal treaty not to place any obstacles in the way of free dealing throughout their territories in one another's currencies (including gold coins) or of a similar free exercise of the banking business by any institution legally established in any of their territories."

Imagine if the ordinary citizen of Britain or Italy could use German marks or Swiss francs in his daily purchases, could have checking and savings accounts with his local bank in Swiss francs, and could write such checks for purchases at the supermarket. How long would it be before either:
- the pound sterling and Italian lira were driven off the market, or
- the governments of Britain and Italy

(Continued on p. 48.)

movies

• Hair • Phantasm • The Hurricane •Remember My Name

• Ten years have passed since the musical drama (both terms are questionable) **HAIR** graced the playhouses of America —or disgraced them, depending on your point of view. Now we have the movie, which in spite of a considerable dress-up job seems quite dated; it belongs to another era.

But the dress-up job is a good one. Director Milos Forman, last seen in *One Flew over the Cuckoo's Nest*, is no slouch when it comes to directing ensembles, and he has his work cut out for him with this one. There have been many changes made in the screen adaptation, and as far as I can see every one of them is an improvement. So much life is breathed into the old corpse that one is occasionally carried away in spite of oneself, more by the high spirits and graceful energy that Forman has put into it than by the plot or the music of the stage play.

But only occasionally. That something is beautifully done doesn't imply that it was worth doing. A person may learn to twirl a baton while sword swallowing, but granted that this is a difficult accomplishment, one is still left with the question, Why do it in the first place? And in spite of the driving energy with which Forman has imbued this film, the morality of the flower children remains unchanged—and unquestioned—in the film. Since you don't choose to work, and you need money to live, you panhandle—from anyone who will give. There is a scene in which the perfectly able-bodied "hero" cons his mother out of $250, which she can't really spare—but then, he belongs to the New Generation (1968), so anything he wants he should have, shouldn't he? Aren't whims meant to be satisfied? The only question is, Whose?

—John Hospers

• **PHANTASM** is the latest attempt to scare people out of their wits. Written, produced, and directed by a new filmmaker, Don Coccarelli, it may seem to fall into the pattern of John Carpenter, the writer-producer-director of *Halloween*. But here, unfortunately, the comparison ends. This film is saturated with senseless gimmickry—coffins groaning and growling, lead balls flying through the air, persons appearing and reappearing with hands on your shoulders just when the lights go off. There are times when even the most insensate viewer is taken off guard and gives a start. But this is not to say that he experiences terror, even vicarious film-terror. The fright does not grow organically out of the story; one feels that there is a constant attempt to frighten one, and as a result it doesn't work. There is also too much padding: make-work scenes easily detachable from the story, invented as a new pretext for scare-inducement. In *Halloween* there wasn't an irrelevant moment, and every event contributed to the cumulative impact; this film, by contrast, is episodic, the scares thrown in for kicks. If you want a taut thriller in which the thrills grow naturally out of an interesting story, stay away from this one.

—J. H.

• Were the Greeks great because they didn't have to study the classics? Is it that the first time 'round one can approach every issue with freshness and originality? Or is it rather that the first treatment of something only seems better because it is seen later through the mists of childhood memories? I remember as a child seeing the 1937 version of **THE HURRICANE**, directed by John Ford. Is it only because it was the first time 'round with the story that the present remake falls so flat? I think not. One of my most pleasant memories of the earlier version is the impeccable sense of structure—simple, yet strong and clean and powerful in its sweep. The opposing forces—the primitive mores of the islanders set against the imposed mores of the Europeans, represented by Dorothy Lamour and Jon Hall on the one side and Raymond Massey as the governor-general on the other—were clearly set forth from the outset. The tension began in the first few minutes, and it mounted steadily and relentlessly to the end. Even the hurricane itself became the embodiment of conflicting elemental human forces. In the present version, the tension barely mounts; almost half the film passes without any great conflict having been generated; and when it does slowly and belatedly appear, the rhythm of the thing is all askew—cut when it should be propelled forward and vice versa.

Jan Troell, who did the fine cinematography in one of the best films of recent years, *The Emigrants*, became director in this one; he should stick to cinematography. The pace is far too slow; no meaningful structure is built; even the tropical sunsets and the Hawaii 5-0 surf get tiresome, though the entire picture was filmed in the most beautiful spot in the world (that I have seen at any rate), Bora-Bora in the Tahitian Islands. Just as the libretto is incidental to the music in opera, visual and musical beauty are incidental in film: they help to make a satisfying film if there is a good plot, but they do not make up for a bad one. Yet the plot of the Nordhoff-Hall novel is made to order for cinema; with a rousing good story and a plethora of concrete images, it would seem as if it couldn't miss as a film, and yet it does.

In the earlier version, Raymond Massey was the embodiment of evil (devotion to principle combined with malevolence, like Charles Laughton in *Mutiny on the Bounty*), which Jason Robards in the 1979 version is not: he mouths "colonialist" principles without even appearing to comprehend them. In the earlier version, the villain lives through the hurricane and is still present in the end; in the present version, the villain is killed in the hurricane well before the film is over. The film thus reaches its climax prematurely and peters out even before the hurricane does.

Dino De Laurentiis spent over $20 million on this one, which could have been salvaged if he had spent about a hundred thousand getting a good script—not a difficult task, since the novel already provided it. Not all the oversized hurricanes in the world can make a good film without the powerful human impact that could so easily have been in this one. All the trappings are there, yet nothing jells. The rifleman shot at close range, and still he missed.

—J. H.

• Most film viewers remember Geraldine Chaplin as the actress who gave such a glowing portrayal of the wife of Dr. Zhivago. Fine as that characterization was, it tended to typecast her as "the virtuous girl." That mold has definitely been broken with **REMEMBER MY NAME**. Her portrayal of a psychotic is sensitive and clinically interesting. The lesser role played by Anthony Perkins is also well done.

One must be forewarned, however, that the film is not very self-explanatory and that one must have some acquaintance with abnormal psychology in order to figure out exactly what's going on in it, especially if one doesn't want to be let down at the end. If one fills in, from one's own background knowledge, the material that the film itself never really supplies, then seeing it can provide an interesting and even exhilarating experience. The presen-

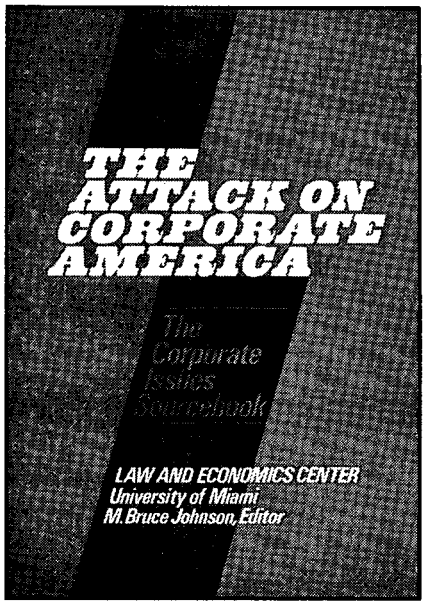
(Continued on p. 47.)

books

The Attack on Corporate America

Edited by M. Bruce Johnson. New York: McGraw-Hill, and Coral Gables, Fla.: Law and Economics Center, University of Miami School of Law. 1978. 348 pp. $14.95.

Reviewed by Yale Brozen


THE ATTACK ON CORPORATE AMERICA
The Corporate Issues Sourcebook
LAW AND ECONOMICS CENTER
University of Miami
M. Bruce Johnson, Editor

"Of business she had no conception: and therefore her discourse was composed only of complaint, fear, and suspicion." That was the way Sam Johnson reluctantly described his mother's opinion on commerce. What is remarkable is that such a description also fits an astonishingly large number of contemporary figures who feel called upon to shape popular opinion on this subject.

Sarah Johnson may perhaps be pardoned, but the fretting and nail-biting that goes on about so much of economic life today is usually done by people who should know better. Entertaining and informative, if not quite painless, introductions to the subject, such as Armen Alchian and William Allen's *University Economics*, are available for the curious. One can only wonder where the thoughtful folks who clutter the offices of the *Nation* or who staff your local consumer activist brigade picked up their sorry notions about the process by which sweat and toil are turned into bread. (A major exception to the "know-nothing" behavior common among consumer activists is Consumer Alert, Box 981, Stamford, CT 06904). Of course, the market for fiction has always been much larger than that for nonfiction. Tales unconstrained by fact or accurate analysis can be much more exciting and entertaining than an account of mundane work.

All too often, in fact, the study of mankind in the business of everyday life has been abandoned for something else. One would think that only a madman could do so, but a mythology exists that allows a normal individual to interpret a rise in the prime rate, the decision of a company to relocate in Tuscaloosa, and an advertisement that says "Coca-Cola refreshes" as proof positive that the "economic system" is out to get him. Why fear and loathing should characterize popular discussion of such very mundane matters is puzzling and no doubt deserves some scholarly investigation in its own right. While ignorance may explain part of it, the deeper mystery is why the ignorance is so willful. Politicians, of course, have a vested interest in finding scapegoats for the damage they do, but why are there so many willing allies and easy dupes?

For the moment I will content myself with the observation that much of what old-fashioned economics has to offer is unexciting. Quite all right, of course, for the likes of those who enjoy an evening curled up with the national income accounts or those who've caught themselves wondering why we do things in big chunks and don't instead eat a minute, sleep a minute, and work a minute. But for the great mass of mankind that takes its pleasures seriously, enlightenment on these matters is not worth the effort. How much more comfortable, if economic topics must be discussed at all, to moralize, to intone half-truths, and to assert as fact whatever merely comes to mind. And there are those—Ralph Nader, Michael Harrington, and John Kenneth Galbraith, to name only a few—who are willing to cater to these natural tendencies.

Unfortunately, some of this made-to-order analysis has become received wisdom and the basis of policy. It has been apparent for some time that informed rebuttal is required. The corporation in particular has been the target of the latter-day Luddites, who depict it as one of capitalism's run-amok monsters. *The Attack on Corporate America*, a publication from the University of Miami's Law and Economics Center, cuts this nonsense short. In question-and-answer format, such respected authorities as Harold Demsetz, Arleen Leibowitz, and Arthur Laffer present the best thinking on the corporation in a clear, concise, and nontechnical fashion.

Now to come to the defense of the corporation is not necessarily to profess one's love for $40 billion in assets all under one roof or managed from one corporate headquarters. The authors carefully explain how the corporation, like other aspects of the economic life, has evolved as a way of shuffling our resources to productive uses. It is *not* a means by which wealthy and powerful old codgers squeeze more blood from a helpless and uncomprehending populace.

The most important function of the corporation is to allow people to bear risks and to do it in an efficient way—no small matter, since all economic enterprise is inherently risky. The return to the owners of a firm will fluctuate, and it is the stockholders' function as owners to bear such changes, either in the form of fluctuating dividend payments or in changes in the value of the stock. The nice thing is that they don't have to tie all their savings to the fate of one firm. The average small investor can buy a share in each of a hundred randomly chosen firms (or in a few mutual funds to reduce transaction costs) and be reasonably assured that the return to him will not be as volatile as the return from a holding in a single firm. The usefulness of such a policy has been known since people first learned not to put all their eggs in one basket.

This is also a good solution from the firm's point of view, or rather, from the point of view that considers the allocation of resources. Taking the case of a particularly risky enterprise that has a good chance of being either terribly profitable or abysmally unprofitable, an investor faced with the prospect of investing all his resources in that firm or not investing anywhere would ask for a very high return. But since he can make his holdings there a small fraction of his total, he will offer some of his capital with the prospect of a much lower expected return. As a result, risky activities are carried out to a greater extent than they would be if each person's investment were tied to a single firm.

This state of affairs—namely, diffused

corporate ownership—has given rise to some ill-informed criticism. Corporate managers, it is asserted, are not responsible to anyone. Although corporations are supposed to be democracies with everyone exercising voting rights, few shareholders bother.

What this view ignores is that there are people who make it their business to watch what corporations do. Some own rather large fractions of any single firm. Others, who specialize in finding poorly managed firms, do not. Is a firm being mismanaged? Are the officers taking earnings in the form of fringes? If so, the firm's stock price will reflect these factors as it is bid down by knowledgeable traders. With the firm trading for less than its assets would be worth under good management, someone stands to gain by buying a controlling share and doing things right. (It is too bad that the US Postal Service is not a publicly held corporation.)

What keeps this from being a common occurrence is the value that present managers place on their reputations. To be canned in such an ignominious fashion more than once or twice puts an end to a corporate career.

This conception of the corporation as a device that allows scarce productive capital to be put to highly valued uses forms the basis for the subsidiary points the authors take up. Their answers to questions about foreign investment, worker alienation, and the size of corporations, for example, likewise provide a distillation of the best analysis and most penetrating insight that contemporary scholarship offers.

Although not all the issues treated have been settled once and for all, familiarity with the arguments presented in this book should provide defense against the most clever of sophists as they ply their trade.

Yale Brozen is a professor of business economics at the University of Chicago.

Illusions

By Richard Bach.
Boston: G. K. Hall. 1977. 104 pp. $10.95 (cloth).
New York: Dell. 1979. 192 pp. $2.50 (paper).

Reviewed by Wendy Grosscup

In the preface to *Illusions*, Richard Bach claims that he does "not enjoy writing at all." The rest of the book stands as proof that you should not act against your feelings, for it is the most inane, pretentious, cute, and poorly writen book I have ever read all of the way through.

Illusions is a "what if" book: "What if somebody came along who . . . could teach me how my world works and how to control it? . . . what if Siddharta or a Jesus came into our time?" In concrete terms, this ideal is Donald Shimoda, a "messiah who quit." He is not a symbolic messiah; he is the real thing complete with standard equipment. He can: heal the body of a crippled man and the spirit of a terrified young girl, make cryptic and profound remarks, create illusions, and perform miracles. He has: a body and possessions that never get dirty, a slight halo, grand entrances, and a smug attitude.

Shimoda "quits the messiah business" because people come only to see his miracles, not to learn. They cannot accept that their power would equal his own if only they would believe in it. They stubbornly remain closet-messiahs who wish to suffer for God rather than to follow Shimoda. And so he quits.

Shimoda's story is told in the first 16 pages of the book, which are purported—with all apparent seriousness—to be genuine copies of the genuine grease-stained, fingerprinted notebook that Bach carries with him to jot down ideas. (As my overwhelming hostility toward cuteness in art is not necessarily an aesthetic issue, I will refrain from commenting on this "simply darling" touch.)

Richard Bach and Shimoda meet in a meadow just north of Ferris, Illinois. They are in the same line of work: "flying with the wind from town to town, selling rides in an old biplane, three dollars for 10 minutes in the air." At this first meeting, Shimoda states, "I've been waiting for you." Bach replies, "Sorry, I'm late." *Illusions* is the story of their relationship.

According to Shimoda, their meeting is "cosmic law," while Bach is (unfortunately) more specific: "You and I have some sort of mystical agreement. . . . I'm going to say that we met three or four thousand years ago, give or take a day." Shimoda proceeds to give Bach a crash course on messiahship, complete with a notebook, "Reminders for the Advanced Soul," that conveniently falls open to the insight you most need at the time; for example: "Live never to be ashamed if anything you do or say is published around the world, even if what is published is not true"; "You're always free to change your mind and choose a different future or a different past"; and finally, "Everything in this book may be wrong."

Bach and Shimoda team up to eat cheeseburgers, see *Butch Cassidy and the Sundance Kid,* make panbread, and have heavy conversations. At long last, Shimoda is shot and dies . . . only to return in the epilogue. He returns in what the common man calls a dream and what Shimoda calls a different space-time. During this visit, he suggests that Bach express his messiahship through writing and then soars away, whereupon Bach pulls out his genuine grease-stained notebook and writes the first words to appear in *Illusions:* "There was a master come unto earth, born in the holy land of Indiana."

In aesthetically evaluating a piece of art, the particular worldview it expresses is irrelevant. But whatever the worldview, it must be coherent and internally consistent. By coherent I do not mean "easily understood"; I mean "capable of being understood." *Illusions* is neither. A crucial point of the book is that men are latent or unwilling messiahs. Yet one of his maxims states: "Laughing on the way to your execution is not generally understood by less-advanced life-forms." *Less-advanced life-forms* refers to mankind, which leaves the question: What is man? An errant equal or an inferior species? As the book's presentation of man as able but unwilling to assume messiahship is central to the theme and to the characterization of Shimoda, it is inexcusable for this confusion to arise.

Equally unintelligible is *Illusions'* philosophy. It is a total rejection of anything real. "This world? And everything in it? Illusions Richard! Every bit of it illusions!" Everything is an illusion. But an illusion of what? Without reality, what is there to have an illusion of? This is an old debate. The idea was ridiculous when it arose many centuries ago. The only difference now is that it is old and ridiculous. The philosophy leads you into such statements as: "Everything in this book may be wrong," which, if applied to itself, reduces to absurdity. This becomes an aesthetic issue to the extent that *Illusions'* general confusion and vagueness hinder the identification of theme and any possibility of the author portraying it clearly.

Along with these many faults, *Illusions* is pretentious, by which I mean "all show and no substance." This is exemplified in Bach's use of the phrase "The Infinite Radiant IS" for the word *god.* This puffy capitalization adds nothing to the concept "god." It is simply part of *Illusions'* gross style, which is entirely without grace or subtlety. The first 16 pages are particularly gross; they are almost a burlesque of the Bible, replete with thees and thous and thines. "Not my will but thine be done. For what is thy will is mine for thee."

Superficiality in the mask of wisdom is nothing new. Bach simply provides his version: "There is no such thing as a problem without a gift for you in its hands. You seek problems because you need their gifts." I presume this means that you seek medical problems because

you need bed rest; you seek natural disasters because your home needs remodeling; and you have that nervous breakdown because institutionalization promotes growth.

To compress my reaction to *Illusions* into one word, it is silly. It would be sillier still to review such a book were it not for the fact that it has been on the best-seller list for nearly two years. And that is not silly; it is depressing.

Wendy Grosscup is a free-lance writer.

The Last Romantic: A Life of Max Eastman

By William L. O'Neill.
New York: Oxford University Press.
1978. 339 pp. $14.95.

Reviewed by Patty Newman

The content and purpose of freedom to my mind, is to let men accept what appeals to them, and live their lives as they want to, so long as they do not encroach injuriously upon the lives of others.

—Max Eastman

As an ardent fan of Max Eastman, I didn't walk, I ran to my nearest bookstore to get the Eastman biography, *The Last Romantic*, by William O'Neill, a professor of history at Rutgers University. I knew the book was in the process of being written two years ago when I was interviewing Evette Eastman (Eastman's widow) in New York. Even at that time she expressed reservations about it, and now, after having read it, I can understand why. (O'Neill does acknowledge that Mrs. Eastman disagrees sharply with his assessment of Max.)

The Last Romantic gives a lackluster account of the fascinating life of Eastman with a heavy dose of O'Neill's critique of Eastman's political philosophy (a progression from Marxism to free-market libertarianism). There are a few moments of insight into Eastman, the man, and some valid criticism of moments in his political/philosophical behavior. But generally speaking O'Neill is completely insensitive to this man someone described as "genial, easy-going, wayward, passionately individualistic, with a colorful life full of personal emotions and adventures, his gifts flowing out in many directions; a dramatic figure, a Bohemian, a free soul whose center of gravity is always with himself."

If that is the man O'Neill is writing about, his book certainly keeps the secret. With a pseudo-academic scalpel O'Neill cuts out and throws away so much of the Eastman story that the holes are bigger than the parts remaining.

Max Eastman had an unrelenting craving for individual freedom, a mind brilliant in grasping the discipline and logic of scientific facts and need for progress, a gentle and talented poetic sense as well as ability to express it both in prose and poetry, a horror of organized dogmas (be they religious or political), a sensitive, sensuous demand of love, and a magnificent predominating sense of humor. He lived among the most famous personages of the period (1883-1969) and amid some of the most consequential events of our political and social future. Although he wrote about them—prolifically— he *lived* them with all the sensitivities and passions that come with living, not just observing; of thinking, not just following. His is a story of love—physical love, adventurous love, educational love, idealistic love of a time when one can be free from those who can never be free enough themselves to let anyone else attain the experience.

In fairness to O'Neill, he does admit in his preface that he is a historian, not a biographer, and therefore has put his emphasis on ideas rather than on experiences, and that "it is the writer and not the man in whom I am most interested." But then why call this book a biography? Why subtitle it "A Life of Max Eastman"? Why not call it, in fairness to the reader, what it is: An O'Neill Critique on the Political Rise and Fall of Max Eastman. Throughout the book Eastman is portrayed as brilliant during his socialist years and all but a demented lost soul when he turned away from it to embrace the free market.

Part of what makes O'Neill's book dry is its lack of humor and unimaginative approach to the Eastman story, which is so much more than a brilliant man's struggle with Marxism—the Eastman story also overflows with wit, humor, and "the enjoyment of living." O'Neill simply strikes out in this area. In missing the magic of Eastman's writing, he becomes a sterile biographer.

But he apparently has little or no interest in (or understanding of) Eastman's "Journey through an Epoch" *as a whole*. His interest is more to narrate what to him is the degeneration of a man who was once (as a socialist) "fighting dogma, defending science and experimental thought, exalting liberty, deploring the obstacles, concrete and theoretical, to it," and who ended up defending capitalism, studying Mises and Hayek, and writing for the *Reader's Digest* and *National Review*. To O'Neill, one could not sink to lower depths. "Max had turned against socialism," and for O'Neill the results were catastrophic.

On page 205 of his book O'Neill states: "If there is to be little or no socialism where lies the hope of reform? Max was vague on this point because he wasn't sure. Later he decided that undiluted capitalism was the only basis for liberty. But recent history proves there is another, better way, though for ideological reasons Max refused to see it. Had he not become so conservative, he might have completed his argument in this way. Socialism remains a beautiful dream. In real life it has been proven unnecessary by the welfare states of Scandinavia. In combining some socialism with a great deal of private ownership, they have reached levels of prosperity, equity, and personal freedom that the founders of socialism thought only a revolution could achieve. These just societies are unexciting. The militant young of the world do not sing their praises. They are to be cherished all the same."

Regardless of the skepticism some might have about cherishing the "just" Scandinavian welfare states, O'Neill obviously feels strongly about forsaking the concepts of socialism. His personal phil-

Coming Next Month:

Bestselling author Robert Ringer contributes an excerpt from his soon-to-be-released book, *Restoring the American Dream*. Louis Segesvary asks why the world's most expensive educational system is turning out people who can't read and write—and points a finger at the sophistry of the "new education." Jeff Sampson aims a critical eye at the private-express statutes and proposes denationalization of the mail industry. David Norton, author of *Personal Destinies*, suggests corporate apprenticeship as the sane alternative to the "college is a must" myth. And Tibor Machan compares Marx's idea of worker alienation to everyday experience. Plus Murray Rothbard's Viewpoint, Tim Condon's Taxes, John Hospers's movie reviews, and all the rest of REASON's usual features and departments.

osophical and economic beliefs are his concern, but the inability to discuss intellectually the relationship between a planned economy and individual freedom does little for his academic qualifications to write a biography of Eastman.

Again O'Neill: "Max was a rebel by nature, a capitalist only from necessity. The difference shows. Socialism had been the one-grand passion of his political life, an affair of the mind and heart. With free enterprise he made a marriage of convenience." Memo to Dr. O'Neill: Max Eastman's love affair was with *freedom*—his passion was in searching for the means to it.

O'Neill never quotes Eastman's most articulate explanation of why he "changed sides." It is well worth recalling if for no other reason than to justify the charge that O'Neill's bias keeps from his readers Eastman's journey. Eastman writes: "I had believed, or hoped, that when people could no longer compete for private property they would compete for honorific attainments. Merit, instead of money, would be the object of endeavor. . . . It did not occur to me that the new goal might be power—still less that the new rulers by getting power would manage to get most of the money as well. I had to learn also that power directly exercised can be more hostile to freedom, more ruthless, more evil in its effect upon the character of the wielder, than power wielded indirectly through a preponderance of wealth."

For the reader who wants to read about Eastman's colorful life full of personal emotions and adventures (both of mind and body), I highly recommend the second volume of his autobiography, *Love and Revolution* (Random House, 1964). For William L. O'Neill, I suggest that a little more reading of Mises and Hayek might improve his understanding of Eastman...and of economics. It certainly would have improved this biographical attempt.

Patty Newman is writing a screenplay of the Max Eastman story.

Rose Wilder Lane: Her Story

By Rose Wilder Lane and Roger Lea MacBride.
New York: Stein and Day. 1977. 236 pp. $8.95.

Give Me Liberty

By Rose Wilder Lane. Foreword by Susan Mollison. Introduction by Robert LeFevre.
Mansfield, Mo.: Laura Ingalls-Rose Wilder Lane Home Association. 1977. 53 pp. $2.00 paper.

Rose Wilder Lane: Her Story comes to us with only a cursory amount of explanation. Roger Lea MacBride, whose name appears on the title page as a coauthor, says it is a "perfectly genuine fictional autobiography." It uses true names for some of the characters, but there are other names that may or may not have been invented—one can't be sure. Since I have had a long-time interest in Rose Wilder Lane, and a continuing gratitude for what she did for me simply by writing *The Discovery of Freedom: Man's Struggle against Authority* back in 1943, I read every page of this posthumous work of hers with a gnawing wish that Roger MacBride had footnoted the references to people, places, and incidents. But then it would not have been a "story"—and Rose Wilder Lane could never resist her true novelist's instinct.

This, we gather, is the fictionized account of Rose Wilder Lane's novitiate in living, which came before her novitiate in thinking and writing. It does not tell about her various intellectual conversions, first to a Jack Londonish type of socialism (she admired Jack London and wrote a fictionized biography of him) and later to an impassioned libertarian individualism. The three-page epilogue that Mr. MacBride has tacked on to the book is tantalizing in the extreme. So much is hinted in a phrase, a sentence, and a paragraph. It makes one hope that Mr. MacBride, Rose's godson and literary executor, has an authentic Rose Wilder Lane sequel in the mass of papers she must have left.

If *Rose Wilder Lane: Her Story* does not explain why the author and protagonist became a Bolshevik in 1919, it certainly does make it clear why she could not remain one. She was a daughter of pioneers and had known the world of sod huts and homesteading on the Great Plains and in the Ozark highlands that her mother, Laura Ingalls Wilder, wrote about in her *Little House* books. The adolescent Rose became a pioneer woman telegrapher in California, presumably (if the fictionized autobiography is correct) to be able to work with the night operator boy she hoped to marry. She didn't marry the Paul of her book—he was too scrupulebound to break loose from his mother, and Rose got away from him. Instead, she married a charming highbinder who turned out to be a forger. This left Rose high and dry for a second time. She saved herself by becoming a real estate salesman—or saleswoman—in the California oil fields. The "story" ends with her seeing Paul once more—but only to leave him to become a newspaper writer in San Francisco. The story of her final parting with Paul gets merely a sentence.

Rose tells us—in her "credo" that is now republished as a paperback monograph, *Give Me Liberty*—that it was only by accident that she didn't join John Reed in founding the American Communist Party. If she had, she would have been an early apostate. As Max Eastman has pointed out, the motive patterns that drove Americans to communism in 1919 differed. Some joined because they wanted the order of a super-organization. Others were trying to get away from capitalist organization. Rose was one of the latter. She lost her momentary interest in communism when she learned that what she wanted was no organizational compulsion at all. She left Russia after an early visit with a passionate conviction that men and women should be self-movers. In her 1943 *Discovery of Freedom*, she sang a marvelous psalm to her own frontier birthright.

Rose Lane loved America because it really had no system. Everything moved according to the unpredictable decisions of individuals. When women cut their hair, fortunes that were wrapped up in making good hairpins vanished. Everything was fluid. Rose Lane wanted to keep it that way. During World War II she refused to accept ration cards. She raised her own bees for sweetening and grew her own food. She lived her theory. The value of her fictionized early autobiography is that it shows the genesis of the woman she was bound to become.

—John Chamberlain

movies

(Continued from p. 43.)

tation itself is not subtle—there are no flashbacks, no time warps, no scenes dreamed or imagined; it is presented as if it were a newsreel, and one is invited to observe carefully the minutiae of Ms. Chaplin's behavior. It is the behavior itself that is complex, enough so to require more of an explanation than the film provides. Still, some readers may not miss it, since the curiosity of what-happens-next? and what's-this-going-to-lead-to? is sufficient by itself to keep the viewer absorbed; and if the viewer really thinks he can predict what's going to happen from one episode to the next, by all means let him fall on his face trying to do it.

—J. H.

money

(*Continued from p. 42.*)

were forced to compete with the German mark and Swiss franc for customers by restricting the supply of their currencies to the market?

Hayek extends that concept one step further by asking what might happen if private institutions were able to compete with governments in issuing their own currencies. What if a Swiss bank issued a "ducat," redeemable in a fixed amount of dollars, marks, or francs, and then kept the value of its "ducat" *higher* than its redemption price? Individuals holding ducats would benefit from a lower rate of depreciation—or *ap*preciation—in terms of other currencies.

Such competiton already exists to a limited degree. Americans open Swiss bank accounts to put their savings into gold, silver, and Swiss francs. Governments, banks, and multinational corporations go to the Euromoney markets to lend and borrow in different currencies. Competition among currencies already takes place.

Jerome Smith's *The Reinstitution of Money* (Vancouver, B.C.: ERC Publishing) is a substantially more radical document than Hayek's. Where Hayek asks questions, Smith works out conclusions. While Hayek, with his stature in the economics profession, opens the debate, Smith anticipates and answers many of the questions that will be raised *during* that debate. Only some years, even decades, hence—since Smith is a private-enterprise economist, not hailing from the halls of academia—will Smith's *Reinstitution of Money* be recognized as the pathbreaking work it is.

Smith asks the question, What is money? Interestingly, no economist has really answered that question—until Smith. Present-day economists say that money is "*M*1" or "*M*3," and some even say that money is indefinable. Prior to Smith, the best definition of money was von Mises's: *the most marketable* (liquid) *good.* In one sense, Smith refines that definition by asking, *What is the most liquid good today?*

Smith has a particular proposal for a new money. Whether it would become "the money of a free market" only the market can decide. The most liquid market in today's world is *the market for capital values.* In a free economy this would mean the stock market; in today's world it means commodities, particularly precious metals.

Smith proposes a mutual fund with strict and unbreakable rules concerning its investment alternatives. The fund would issue *bearer shares* in small units. A bearer share—like a dollar—means that possession is 99 percent of the law. Management fees would be low, since management would have little option under the rules of the fund. In a sane economy, the shares of the fund would accumulate value because of dividends the fund would receive from its investments. Thus, the bearer shares, which would become hand-to-hand currency, would naturally and automatically appreciate in value.

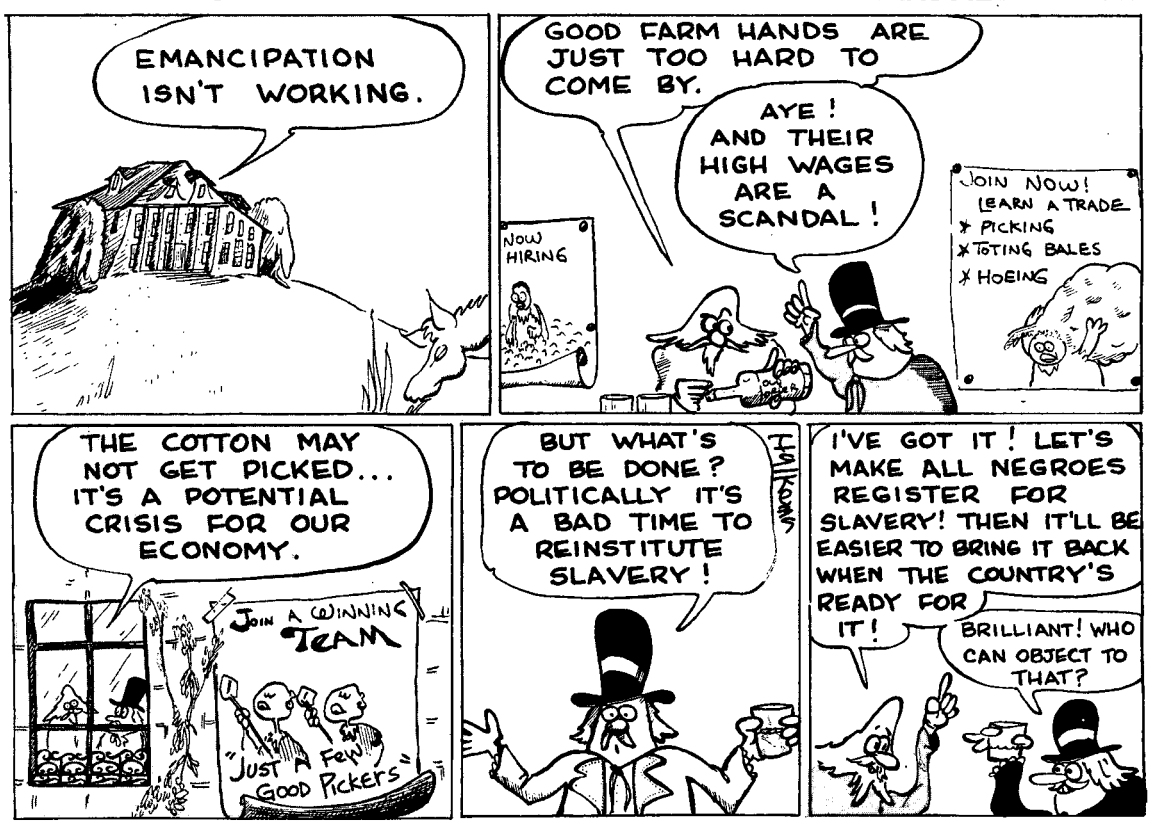
My abbreviated summary cannot do justice to either work. Hayek asks questions that, in retrospect, should have been asked before. His answers are, to my mind, unsatisfactory, but his questions are of absolute importance. Smith offers a solution that could well be the choice of a free market for money. I can think of five other competiting currencies that *might* arise in a free market—and not I but the market, given the chance, will decide which one (or ones) it wants.

A whole new world of economic theory has just been opened up. And since the money supply is the basis of government power, its abolition would do more to bring a free society than any other possibility.

—Mark Tier

rudebarbs

RANDALL K HYLKEMA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* HOEING
THE COTTON MAY NOT GET PICKED... IT'S A POTENTIAL CRISIS FOR OUR ECONOMY.
JOIN A WINNING TEAM
"JUST A FEW GOOD PICKERS"
BUT WHAT'S TO BE DONE? POLITICALLY IT'S A BAD TIME TO REINSTITUTE SLAVERY!
I'VE GOT IT! LET'S MAKE ALL NEGROES REGISTER FOR SLAVERY! THEN IT'LL BE EASIER TO BRING IT BACK WHEN THE COUNTRY'S READY FOR IT!
BRILLIANT! WHO CAN OBJECT TO THAT?

letters

(Continued from p. 11.)

ful machine can be when it has gone out of control. Essentially, there is nothing powerful about evil, but by the suspension of reason one can let loose wild forces, as it were. Then, by trying to cover up, a sort of system of epicycles of unreason comes about which can have the greatest of horrors at its various points of impact. Any more than this would require the study of the matter in its various specific manifestations—for example, Jim Jones, Adolf Hitler, Joseph Stalin, Al Capone, FDR, JFK, John Kenneth Galbraith, Ralph Nader, and the millions of other instances of the phenomenon. I commend Mr. Morrone's interest in this and only suggest he do a detailed job.

Precedents

It is a pleasure to see Carrol Kilgore's book, *Judicial Tyranny*, reviewed at last [March] in the libertarian context where it belongs. Michael Goode's skillful summary of the thrust of the book tops all previous published reviews I have seen.

However, I should like to comment on Mr. Goode's statement that "Kilgore includes a proposal for reform—that the doctrine of *stare decisis* should have no bearing in constitutional law. This is the common-law doctrine that past decisions of the court are binding upon the Court and, especially, on lower courts."

Goode has correctly reported that Kilgore contends the individual judge's oath to support the Constitution eliminates the modern doctrine from application to constitutional decisionmaking. However, the modern definition that says the latest opinion of the Supreme Court is "*the* law," binding on persons not before the Court, actually turns the common-law doctrine on its head.

Even in purely common-law cases involving only rules of "unwritten" law derived from past litigation, *stare decisis* only expressed a rebuttable presumption of the correctness of a well-considered prior decision on a particular point of law. When confronted with two former conflicting decisions (a not infrequent occurrence), a court in a later case would be forced to study both of the prior cases to determine which, if either, was right. To say that the latest one was right simply because it was latest is to give the judges with the least regard for *stare decisis* the greatest force in making precedents.

In interpreting statutory law, the doctrine had less force because, as the courts have often said, the statute is "positive law" and the judges' duty is to apply it, with no room for interpretation except to the extent the statutory language is ambiguous.

In constitutional cases, the presumption favoring former decisions must necessarily be little more than a duty to give the former decisions respectful attention, because the former decisions are necessarily inferior to the Constitution itself. Where the language of the Constitution and the language of former opinions conflict, the judge's sworn duty is to apply the constitutional language. No judge and no lawyer is sworn to uphold what shifting Supreme Court majorities may say, but all are sworn to uphold the Constitution itself.

Mr. Goode notes that there are anti-libertarian provisions in the Constitution. . . . [Nevertheless,] I believe that an insistence by all lawyers and judges on adhering to the Constitution and questioning the integrity of judges who depart from it would usually (but not always) result in advancement of the libertarian aspects of the Constitution. Those provisions inconsistent with libertarianism would then stand out as prospects for amendment.

Libertarian lawyers should take a leaf from Thurgood Marshall's book: He kept hammering on the court doors to reverse the obviously wrong interpretation of the meaning of "equal protection of the laws," and the doors finally opened not only to his argument but to him. He is now a member of the Court.

But libertarian lawyers should keep in mind that Marshall's success went beyond the mark and created new and different departures from the constitutional language. Let those new departures be contested with the same persistence but with more fidelity to the Constitution, and we may have a rebirth of judicial understanding of the imperative of judicial integrity, and a renewed understanding of the imperative of liberty.

Philip M. Carden
Nashville, TN

D.C. Madmen

In spite of what Szasz says, we have madmen. Metzger's article, "Environmental Activists Capture Washington" [May], is a case in point.

Power corrupts, and absolute power corrupts absolutely. But corrupt men seek it out and enhance it. They do not become corrupted by the power, but it attracts those whose ravening lust for power is best sated by existing power, which they then

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use to magnify.

Men whose egos drive them to put themselves above others, at any price, have used government through history with the same results. Twenty out of twenty-two civilizations that we know about were destroyed from within, by the same kind of people who fight furiously to become members of the Supreme Court, Congress, or whatever political job is available. They spend many times what the job pays, in some cases to profit more, but most of all to play God, to force others to do what they want, even when it obviously destroys them and their victims eventually.

Insanity is the force that drives men to force others to do their will. Thus we are ruled by madmen.

Thomas S. Booz
Plantation, FL

Kudos

Congratulations for your excellent work on REASON. Each issue is a source of satisfaction I look forward to receiving. You are making history—along with your team.

Hugo Salinas Price
Mexico City, Mexico

LUCIFER'S LEXICON

by L. A. Rollins

ancestor, *n. Deadwood on a family tree.*

Bermuda Triangle, n. *A section of the Western Atlantic, off the southeast coast of the United States, where honesty has vanished into thin air.*

honest politician, n. *A politician who steals no more than is legally allowed.*

marvelous, *adj. In show business, ordinary, commonplace, dime-a-dozen.*

New Foundation, n. *A new base for the same old house of cards.*

propaganda, n. *Communication.*

roller derby, *n. Wrestling on wheels.*

stimulus-response politician, *n. A knee-jerk opportunist.*

windfall profits tax, *n. Windfall tax profits.*

classifieds

ANNOUNCEMENTS

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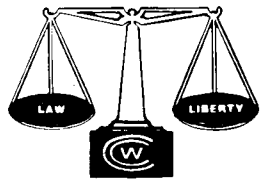

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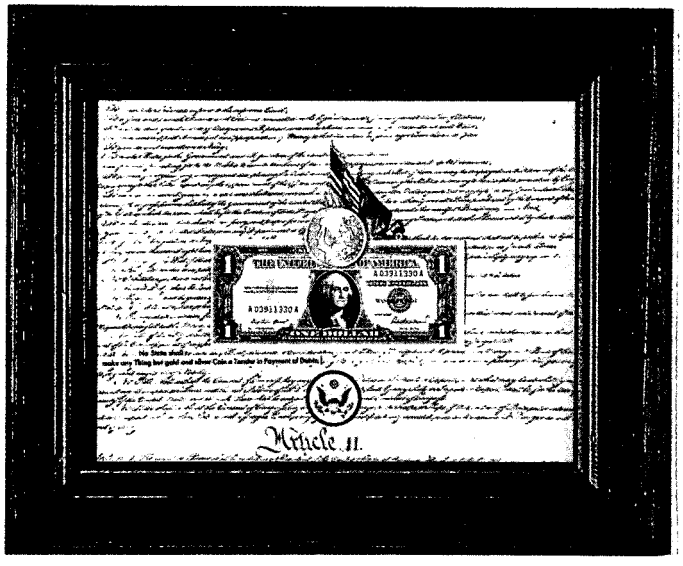

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